

Pima County Community College District
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2004

Table of Contents

| | |
|--|----|
| Introductory Section | 3 |
| Letter of Transmittal | 5 |
| GFOA Certificate of Achievement | 10 |
| Organization Chart | 11 |
| List of Principal Officers | 12 |
| | |
| Financial Section | 13 |
| Independent Auditors' Report | 15 |
| Management's Discussion and Analysis | 16 |
| Basic Financial Statements | 23 |
| Statement of Net Assets | 24 |
| Statement of Revenues, Expenses and Changes in Net Assets | 25 |
| Statement of Cash Flows | 26 |
| Notes to Financial Statements | 28 |
| | |
| Statistical Section | 35 |
| Revenues by Source | 38 |
| Operating and Nonoperating Expenses | 40 |
| Property Tax Levies and Collections - Last Ten Fiscal Years | 42 |
| Assessed Value and Full Cash Value of All Taxable Property - Last Ten Fiscal Years | 43 |
| Property Tax Rates, Direct and Overlapping Governments - Last Ten Fiscal Years | 44 |
| Principal Taxpayers | 45 |
| Top 25 Employers in Southern Arizona | 46 |
| Computation of Legal Debt Margin | 47 |
| Computation of Direct and Overlapping Debt | 47 |
| Revenue Bond Coverage - Last Ten Fiscal Years | 48 |
| Student Enrollment/Demographic Statistics - Last Ten Fiscal Years | 49 |
| Historic Enrollment FTSE - Last Ten Fiscal Years | 50 |
| Historic Enrollment Headcount - Last Ten Fiscal Years | 51 |
| Historic Tuition and Fees - Last Ten Fiscal Years | 52 |
| Miscellaneous Statistics | 53 |

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2004

Finance and Administrative Services

Janice M. Stroh
Vice Chancellor for Finance and Administrative Services

Accounting and Financial Reporting

Dian L. Moore, CGFM
Director of Financial Operations

Joan Hood, CPA
Advanced Fiscal Analyst

Stacy D. Lauver
Advanced Fiscal Analyst

Charlene McConnell
Advanced Fiscal Analyst

Sharyl Pancoast
Advanced Fiscal Analyst

Robert J. Zawada, CPA, CGFM
Advanced Fiscal Analyst



Pima County Community College District

4905D East Broadway Boulevard
Tucson, Arizona 85709-1220



Introductory Section



PimaCountyCommunityCollegeDistrict

October 15, 2004

The Governing Board of Pima County Community College District

The Comprehensive Annual Financial Report (CAFR) of the Pima County Community College District (the “College”), Tucson, Arizona for the fiscal year ended June 30, 2004, is hereby submitted.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the College. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain an understanding of the College’s financial activities have been included.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, a list of principal officers and the College’s organization chart. The financial section includes management’s discussion and analysis, the basic financial statements and notes to financial statements, as well as the independent auditors’ report on the financial statements. The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis. Management’s discussion and analysis, which begins on page 16, includes a narrative introduction, overview and analysis of the College’s financial position as of June 30, 2004.

Reporting Entity

The College is an independent reporting entity within the criteria established by generally accepted accounting principles and the Governmental Accounting Standards Board (GASB). Although the College shares the same geographic boundaries with Pima County, the College solely exercises financial accountability over all activities related to public community college education in Pima County. In accordance with GASB Statement No. 14, the financial reporting entity consists of a primary reporting entity and a component unit. The College is a primary government because it is a special purpose political subdivision that has a separately elected governing body, is legally separate, is fiscally independent of other state and local governments and is not included in any other governmental financial reporting entity. Beginning this year, the Pima Community College Foundation, Incorporated (the Foundation) is considered a component unit of the College and is discretely presented in the College’s financial statements in accordance with GASB Statement 39.

History

The voters of Pima County established Pima County Community College District, known originally as Pima County Junior College District, in 1966 under the provisions of legislation enacted by the Arizona State Legislature in 1960. The first governing board was elected in 1967 concurrent with the approval of a \$5.9 million general obligation bond issue for the first College facilities. The name of the College was changed in 1972.

Classes were first offered in the fall of 1970 utilizing temporary quarters. The original West Campus facility on Anklam Road west of I-10 was first occupied in January 1971. The West Campus is the largest comprehensive campus of the College and offers a variety of degree and certificate programs.

The Downtown Campus was opened in 1974 at Stone and Speedway to serve the central city area. The Downtown Campus offers a balance of developmental, university transfer and occupational courses and has developed innovative ways of instruction including supervised, individualized instruction with video lessons.

Classes were first offered at the East Education Center in 1976 in rented facilities. The current East Campus facility, just east of Davis-Monthan Air Force Base, was opened in 1981 and substantially expanded in 1989. The East Campus offers general education, university transfer and developmental coursework, as well as selected occupational programming.

The Education Center-South was opened in 1986 to serve the south and southwest area residents in leased space and became the comprehensive Desert Vista Campus located in a facility near Interstate 19 and Valencia Road in June of 1993. The Desert Vista Campus offers a wide range of programs and diverse courses, including university transfer, occupational, developmental and general education.

The Community Campus opened the campus near St. Mary's Road and Interstate 10 in January of 1997. Community Campus classes also meet at more than 145 facilities throughout southern Arizona, including Davis-Monthan Air Force Base, and at various public facilities in greater Tucson, Green Valley, Sells, Globe, Payson and San Carlos. The Community Campus provides a wide range of courses developed to meet the diverse needs of the greater Tucson community, as defined by its residents and local businesses. Community Campus is at the center of the College's distance education programs, offered via cable TV, interactive video and the internet.

The College opened the Northwest Campus located on Shannon Road between Ina and Magee in July 2003. The Northwest Campus offers comprehensive educational programs including university transfer, professional, technical and developmental programs and general interest courses.

The Foundation was incorporated in the State of Arizona in 1977 as a nonprofit organization to raise funds for the purpose of providing scholarships, grants and awards to deserving students and outstanding faculty, staff and administration at the College.

Organization and Administration

The College is governed by the Governing Board of the College (the "Governing Board"). The Governing Board is comprised of five members, with each member elected from one of the five precincts of the College District. These members are elected for six-year terms on a staggered basis. The administrative staff of the College is responsible for the operation and administration of all College functions.

Service Area

Pima County, Arizona (the "County") is located in the southern portion of Arizona, with a section of its boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,240 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, the County is today the second most populous county in Arizona. Approximately 60% of the County's population resides in Tucson, the County seat of government and southern Arizona's largest city. As a walled outpost of New Spain, the Presidio of Tucson was established and garrisoned by the Spanish Army until 1822. Jurisdiction was then assumed by Mexico and later, as a result of the Gadsden Purchase of 1854, the entire region became a territory of the United States.

The City of Tucson is the economic and transportation center of the County, as well as southern Arizona. Interstates 10 and 19, as well as State Highways 77 and 86 traverse the City. Tucson is situated on Interstate 10 that connects Tucson with Phoenix to the north, Los Angeles to the west, and New Mexico and Texas to the east. Interstate 19 provides access to Nogales and Mexico to the south, while State Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has a 12,000-ft. lighted paved major runway and a 7,500-ft. paved secondary runway, both of which can accommodate all major types of carriers. Greyhound bus lines also serve the County.

The economy of the County is based on a variety of service industries, as well as government employment (which includes public education), wholesale and retail trade, manufacturing, construction and tourism. Figures from the Arizona Department of Economic

Security indicate that 415,000 persons were employed in the County in July of 2004. The employment level in the County for July 2003 was 403,300.

Economic Condition and Outlook

Pima County's economic condition continued to improve during fiscal year 2003/04. Employment trends were positive with job growth increasing during the year, while the unemployment rate decreased from 4.5 percent at June 30, 2003 to 3.7 percent at June 30, 2004. Other measures of economic activity were positive during the fiscal year. Retail sales increased by 8.1 percent and total housing sales increased by 21.5 percent over 2003. Airline passenger traffic at Tucson International Airport increased by 2.8 percent for July 2004 over July 2003.

During the balance of 2004, the County economy should continue to expand. For the 2004 calendar year, employment is expected to increase by 1.7 percent, personal income is projected to increase by 5.8 percent and retail sales by 8.4 percent. Gains for 2005 are expected to be 4.2 percent for employment, 7.2 percent for personal income and 5.6 percent for retail sales.

Based on recent economic information, prepared by the University of Arizona's Economic and Business Research Program, the expansion of the economy remains in place with a lot of upside potential and the second half of 2004 will bring renewed vigor.

Major Program Initiatives

College Plan Development

The College completed the 2004-2006 College Plan, which was adopted by the Board of Governors on June 2, 2004. A college-wide committee reviewed the College's mission, vision and values statements, set strategic goals and identified initiatives necessary to move toward the goals. The plan was the result of an intensive year of research and discussion on the part of students, faculty, staff and administrators. Input was provided by various experts in the community who shared their assessment of Tucson's needs.

Capital Budgeting Process

A comprehensive capital budgeting process was completed during the year to evaluate needs and establish priorities for capital projects for the next two years. The resulting funded capital requests were approved by the Board of Governors on May 12, 2004.

Future Program Initiatives

College Plan Implementation

The initiatives contained in the College Plan will be implemented over the next two fiscal years. The major initiatives are to improve transfer and workforce instructional curricula and support programs, to establish a developmental education program, to improve college processes and operations, to enhance enrollment management, to develop the College's human capital, to expand institutional technological capabilities and to enhance government and external relations. Each of the initiatives includes a set of goals and specific accountability measures and timelines.

Financial Information

The College Finance Office is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the College are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. We believe that the College's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The College's Internal Auditor periodically reviews, reports on and recommends improvements for internal controls in all operational and financial areas of the College. This position reports directly to the Chancellor.

Budgetary Controls

The College maintains budgetary controls and budget transfer restrictions by program (function) and account. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the Governing Board. The legal level of budgetary control is by summary program. The College also maintains an encumbrance system as another way of establishing budgetary control. Open encumbrances are eliminated for year-end reporting.

The College submits a report of the College's adopted budget to the State. The College also demonstrates compliance by issuance of an annual budgeted expenditure limitation report that is audited by the Auditor General.

College Functions

As a political subdivision of the State of Arizona, the College exercises direct tax levy authority for the generation of revenues for operating, capital equipment and debt retirement purposes. The Governing Board sets tuition and fee levels for the College. State appropriations are received on a quarterly basis.

Cash Management

The College is governed by the Arizona Revised Statutes relating to the investment of idle funds. The responsibility for such investments is entrusted to the Governing Board and facilitated through the Finance Office.

College funds are deposited with a local financial institution. Amounts that are not needed for current operations are invested in the Local Government Investment Pool (LGIP) and in federal agency securities.

Risk Management

College staff includes an employee assigned to the risk management function that endeavors to minimize the probability of loss through risk identification and analysis. Risk is reduced through the implementation of risk control activities such as safety and loss control programs and the utilization of risk financing and transfer techniques including contract terms and the purchase of insurance.

Independent Audit

The annual financial audit is conducted by the Office of the Auditor General for the State of Arizona. Tests are made to determine whether the financial statements are free of material misstatement, as well as to comply with Arizona Revised Statutes that require an annual audit of the College's financial statements. The Auditor General's Independent Auditors' Report is included in this document. The College received an unqualified opinion.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Pima County Community College District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the twelfth consecutive year that the College has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated efforts of the Accounting and Financial Reporting Division of the Financial Operations Department. We would like to express our appreciation to all those who assisted in and contributed to the preparation of this report.

Respectfully submitted,

Janice M. Stroh
Vice Chancellor, Finance and
Administrative Services

Dian L. Moore
Director of Financial
Operations

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Pima County
Community College District,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

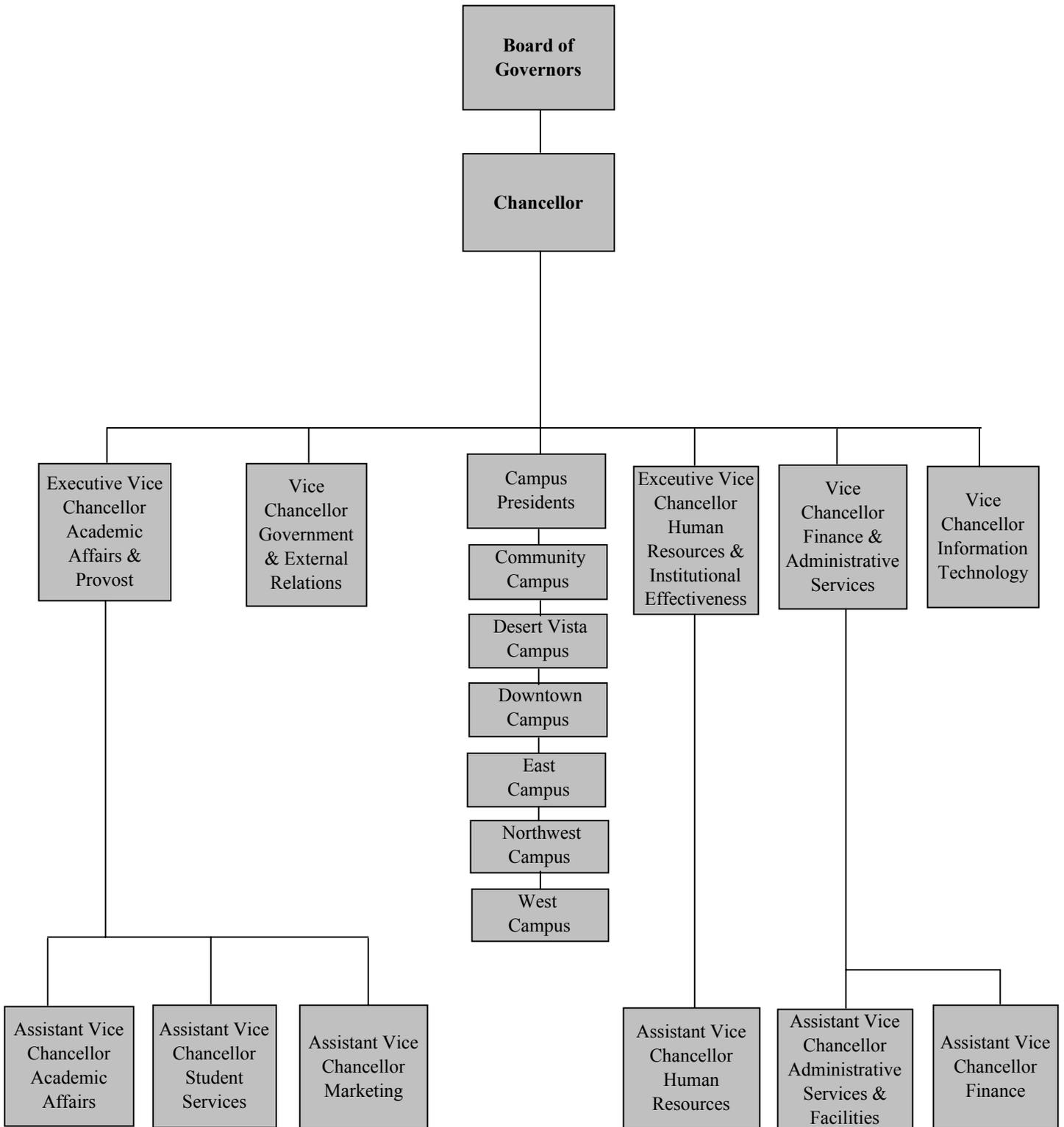
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATION CHART



List of Principal Officers

Pima County Community College District

Governing Board Members

Brenda B. Even, *Chairman, District 1*
Sherryn S. Marshall, *Secretary, District 3*
Richard G. Fimbres, *Member, District 2*
Scott A. Stewart, *Member, District 4*
Marty Cortez, *Member, District 5*

List of Principal Officers

College Administration

Roy Flores, *Chancellor*

Suzanne L. Miles, *Provost and Executive Vice Chancellor, Academic Services*

Janice M. Stroh, *Vice Chancellor, Finance and Administrative Services*

John Gabusi, *Vice Chancellor, Government and External Relations*

Charlotte A. Fugett, *Executive Vice Chancellor, Human Resources and
Institutional Effectiveness*

Ann M. Strine, *Vice Chancellor, Information Technology*

Sarah Dempsey, *Assistant Vice Chancellor, Academic Affairs*

Paul F. Smith, *Assistant Vice Chancellor, Administrative Services and Facilities*

Vacant, *Assistant Vice Chancellor, Finance*

Lynne Wakefield, *Assistant Vice Chancellor, Marketing*

Jack Redavid, *Assistant Vice Chancellor, Human Resources*

Shelley J. Fortin, *Assistant Vice Chancellor, Student Services*

Campus Administration

Jana B. Kooi, *President, Community Campus*

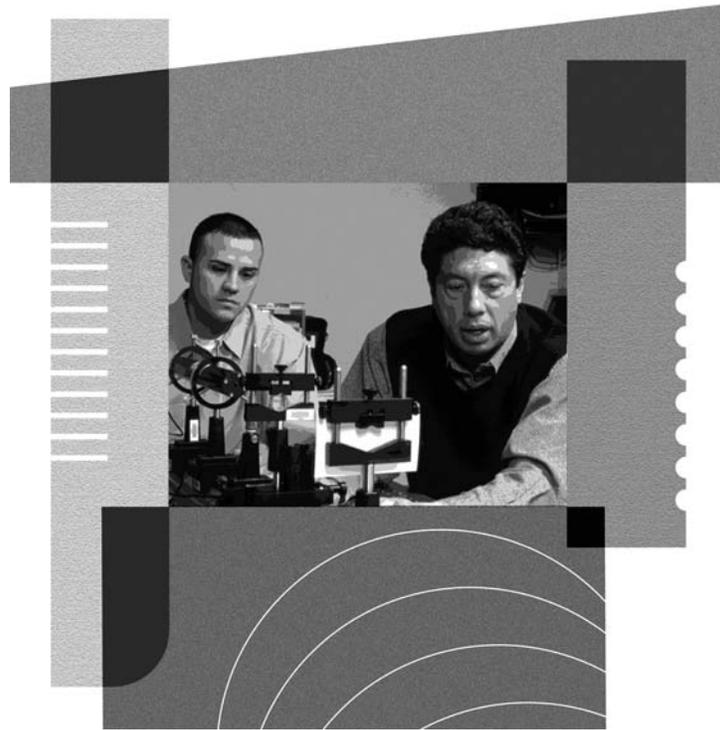
Richard Durán, *President, Desert Vista Campus*

Johnson Bia, *Acting President, Downtown Campus*

Raul Ramirez, *President, East Campus*

Anne-Marie McCartan, *President, Northwest Campus*

Louis S. Albert, *President, West Campus*



Financial Section



**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Governing Board of
Pima County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Pima County Community College District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Pima County Community College District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, for the year ended June 30, 2004, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District or its constituents.

The Management's Discussion and Analysis on pages 16 through 22 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

October 15, 2004

Management's Discussion and Analysis

This section of Pima County Community College District's (the College's) Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter on page 5 and the financial statements and accompanying notes, which begin on page 23.

Basic Financial Statements

The College's annual financial statements are presented in accordance with the Government Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments" and Statement No. 35, "Basic Financial Statements—and Management's Discussion and Analysis— for Public Colleges and Universities." These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise. The Pima Community College Foundation, Inc. (the Foundation) is presented in a separate column, except in the Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College as of June 30, 2004. It reflects the various assets owned or controlled by the College and the Foundation, the related liabilities and other obligations and the various categories of net assets. Net assets is an accounting concept similar to retained earnings and consists of total assets less total liabilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the fiscal year ended June 30, 2004. It reflects the various revenues and expenses, both operating and nonoperating, reconciling the beginning of the year net assets amount to the end of the year net assets amount shown on the Statement of Net Assets described above.

The Statement of Cash Flows presents the cash inflows and outflows for the fiscal year ended June 30, 2004. Cash flows are segregated by type and activity into the following categories: operating activities, noncapital financing activities, capital and related financing activities and investing activities. Cash flows from operating activities are reconciled to operating income/loss on the Statement of Revenues, Expenses and Changes in Net Assets described above.

Condensed Financial Information

*Pima County Community College District
Statement of Net Assets
As of June 30*

| | <u>2004</u> | <u>2003</u> | <u>% Change</u> |
|--|-----------------------------|-----------------------------|------------------------|
| <u>Assets</u> | | | |
| Current Assets | \$ 65,591,257 | \$ 66,030,897 | -0.7% |
| Noncurrent Assets – Restricted | 4,410,856 | 11,277,244 | -60.9% |
| Capital Assets, net | 156,798,819 | 156,022,044 | 0.5% |
| Other Noncurrent Assets | 7,928,107 | 3,336,025 | 137.7% |
| Total Assets | <u>234,729,039</u> | <u>236,666,210</u> | -0.8% |
| <u>Liabilities</u> | | | |
| Current Liabilities | 16,633,734 | 17,376,463 | -4.3% |
| Noncurrent Liabilities | 91,405,548 | 109,378,901 | -16.4% |
| Total Liabilities | <u>108,039,282</u> | <u>126,755,364</u> | -14.8% |
| <u>Net Assets</u> | | | |
| Invested in Capital Assets (net of related debt) | 66,710,465 | 53,913,435 | 23.7% |
| Restricted Net Assets | 6,644,750 | 5,749,021 | 15.6% |
| Unrestricted Net Assets | 53,334,542 | 50,248,390 | 6.1% |
| Total Net Assets | <u>\$126,689,757</u> | <u>\$109,910,846</u> | 15.3% |

Management's Discussion and Analysis

The College's overall financial position improved in fiscal year 2004. Total assets decreased slightly while total liabilities decreased by \$18.7 million, due to retirement of long-term debt. Total net assets increased by \$16.8 million with the largest increase in invested in capital assets (net of related debt).

For 2004, current assets are approximately 3.9 times the amount of current liabilities. In comparing the two years, current assets decreased by \$.4 million and noncurrent assets – restricted decreased by \$6.9 million primarily due to the expenditure of remaining bond proceeds to complete capital projects. Capital assets increased by \$.8 million primarily due to increases in buildings and improvements and equipment associated with the new Northwest Campus and Green Valley Learning Center beyond the capital assets previously recognized in construction in progress. Other noncurrent assets increased by \$4.6 million primarily due to maturity dates of long-term investments. Current liabilities decreased by \$.7 million due to a reduction in accounts payable associated with capital projects and a decrease in deferred revenue. Noncurrent liabilities decreased by \$18.0 million due to scheduled retirement of long term debt.

*Pima County Community College District
Statement of Revenues, Expenses and Changes in Net Assets
For the Two Fiscal Years Ended June 30*

| | <u>2004</u> | <u>2003</u> | <u>% Change</u> |
|--|----------------------|----------------------|-----------------|
| Operating Revenues | | | |
| Tuition and Fees (net of allowances) | \$ 23,923,443 | \$ 20,091,395 | 19.1% |
| Grants and Contracts | 31,659,880 | 32,390,121 | -2.3% |
| Other Operating Revenues | 2,478,027 | 2,206,752 | 12.3% |
| Total Operating Revenues | <u>58,061,350</u> | <u>54,688,268</u> | 6.2% |
| Total Operating Expenses | 138,826,881 | 128,253,889 | 8.2% |
| Operating Loss | (80,765,531) | (73,565,621) | 9.8% |
| Nonoperating Revenues (Expenses) | | | |
| Property Taxes | 76,808,328 | 70,962,776 | 8.2% |
| State Appropriations | 18,125,700 | 18,125,700 | 0.0% |
| Investment Income | 954,530 | 1,458,859 | -34.6% |
| Other Nonoperating Revenues | 2,591,567 | 2,276,769 | 13.8% |
| Interest on Capital Asset-Related Debt | (4,732,158) | (5,780,427) | -18.1% |
| Loss on Capital Asset Disposal | (138,012) | (2,923,462) | -95.3% |
| Other Nonoperating Expenses | (49,539) | (84,520) | -41.4% |
| Net Nonoperating Revenues | <u>93,560,416</u> | <u>84,035,695</u> | 11.3% |
| Capital Appropriations, Gifts and Grants | 3,984,026 | 2,916,758 | 36.6% |
| Increase in Net Assets | 16,778,911 | 13,386,832 | 25.3% |
| Net Assets, beginning of year | <u>109,910,846</u> | <u>96,524,014</u> | 13.9% |
| Net Assets, end of year | <u>\$126,689,757</u> | <u>\$109,910,846</u> | 15.3% |

Total operating revenues increased in 2004 by \$3.4 million primarily due to increased tuition revenues. Net nonoperating revenues for 2004 increased by \$9.5 million with the largest increase occurring in property tax revenue due to increased tax levies and reductions in expenses for interest on capital assets related to debt and capital asset disposal.

Management's Discussion and Analysis

Total operating expenses increased in 2004 by \$10.6 million with increases in all categories except auxiliary enterprises. These changes are primarily due to increased salaries and benefits, capital projects costs and depreciation expenses due to the addition of new depreciable capital assets.

The resulting increase in net assets for 2004 was \$16.8 million

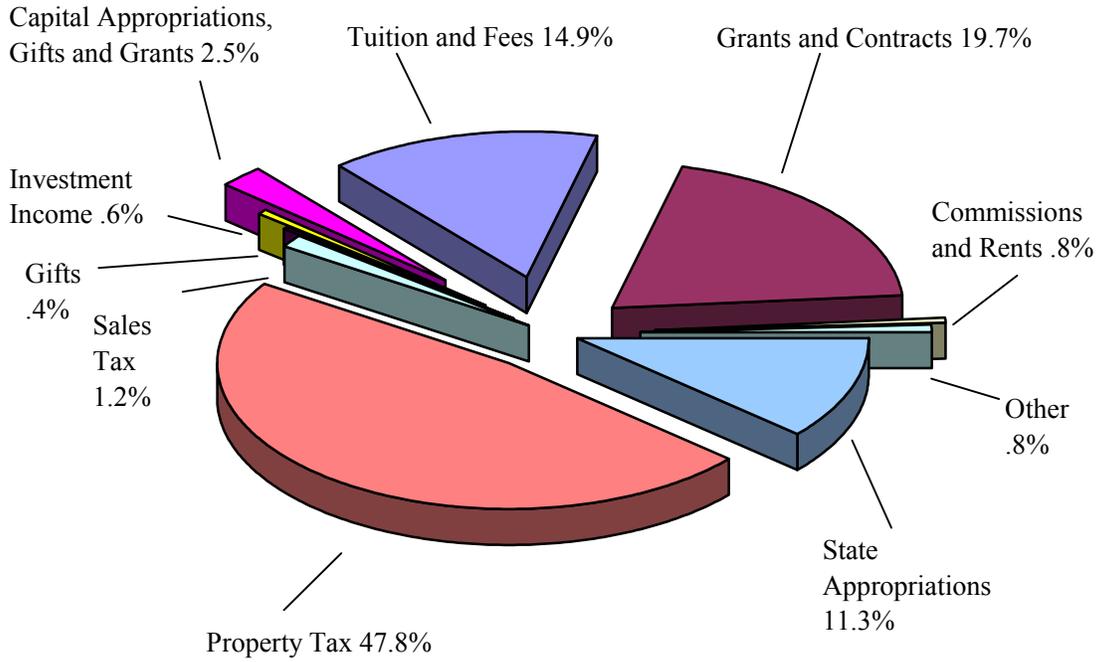
The following schedule presents a summary of revenues for Pima County Community College District for the two fiscal years ended June 30.

| | <u>2004</u> | <u>2003</u> | <u>% Change</u> |
|--------------------------------------|----------------------|----------------------|-----------------|
| <u>Operating Revenues</u> | | | |
| Tuition and Fees (net of allowances) | \$ 23,923,443 | \$ 20,091,395 | 19.1% |
| Grants and Contracts | 31,659,880 | 32,390,121 | -2.3% |
| Commissions and Rents | 1,210,544 | 1,141,535 | 6.0% |
| Other Operating Revenues | 1,267,483 | 1,065,217 | 19.0% |
| Total Operating Revenues | 58,061,350 | 54,688,268 | 6.2% |
| <u>Nonoperating Revenues</u> | | | |
| Property Taxes | 76,808,328 | 70,962,776 | 8.2% |
| State Appropriations | 18,125,700 | 18,125,700 | 0.0% |
| Share of State Sales Tax | 1,989,552 | 1,769,777 | 12.4% |
| Gifts | 602,015 | 506,992 | 18.7% |
| Investment Income | 954,530 | 1,458,859 | -34.6% |
| Total Nonoperating Revenues | 98,480,125 | 92,824,104 | 6.1% |
| Capital Appropriations | 2,654,800 | 2,654,800 | 0.0% |
| Capital Gifts and Grants | 1,329,226 | 261,958 | 407.4% |
| Total Revenues | \$160,525,501 | \$150,429,130 | 6.7% |

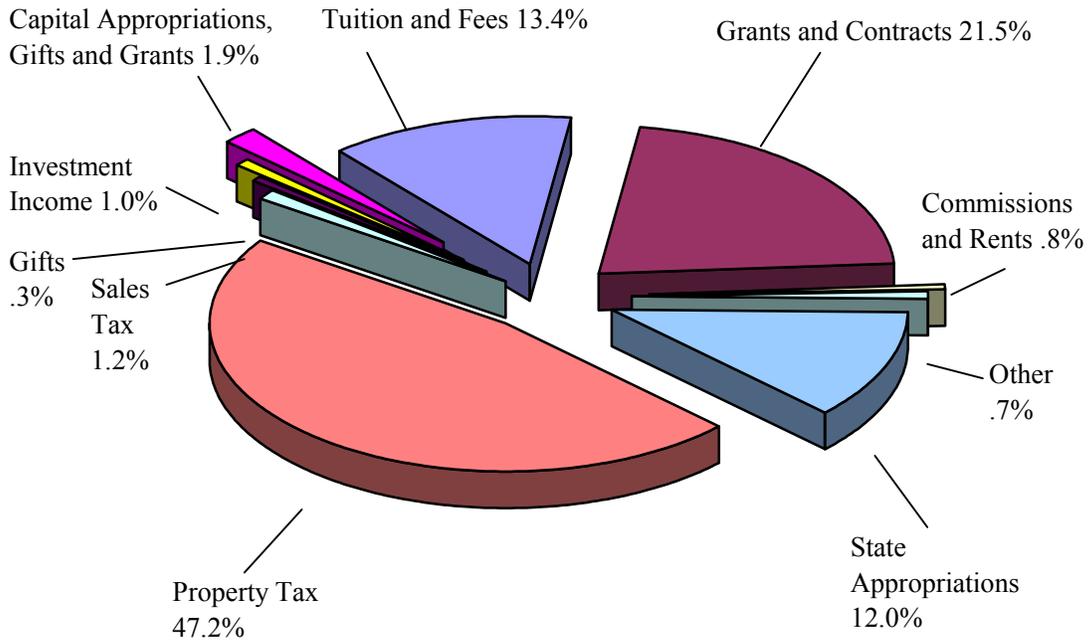
Tuition and fees increased by \$3.8 million due to a change in the tuition rate per credit hour from \$39 to \$42 and the recognition of \$.6 million in unorganized county tuition reimbursements from Santa Cruz County for 2003. Grants and contracts decreased by \$.7 million with decreases in state and local grants and contracts. Other operating revenues increased by \$.2 million due to increases in child development center revenues and refunds of unspent medical spending plan amounts. Property taxes increased by \$5.8 million due to an increased tax levy and residential construction and industrial development within the County. Investment income decreased by \$.5 million due to lower interest rates and lower cash balances available to invest.

Management's Discussion and Analysis

Pima County Community College District Revenues by Source – 2004



Revenues by Source – 2003



Management's Discussion and Analysis

The following schedule presents a summary of expenses for Pima County Community College District for the two fiscal years ended June 30.

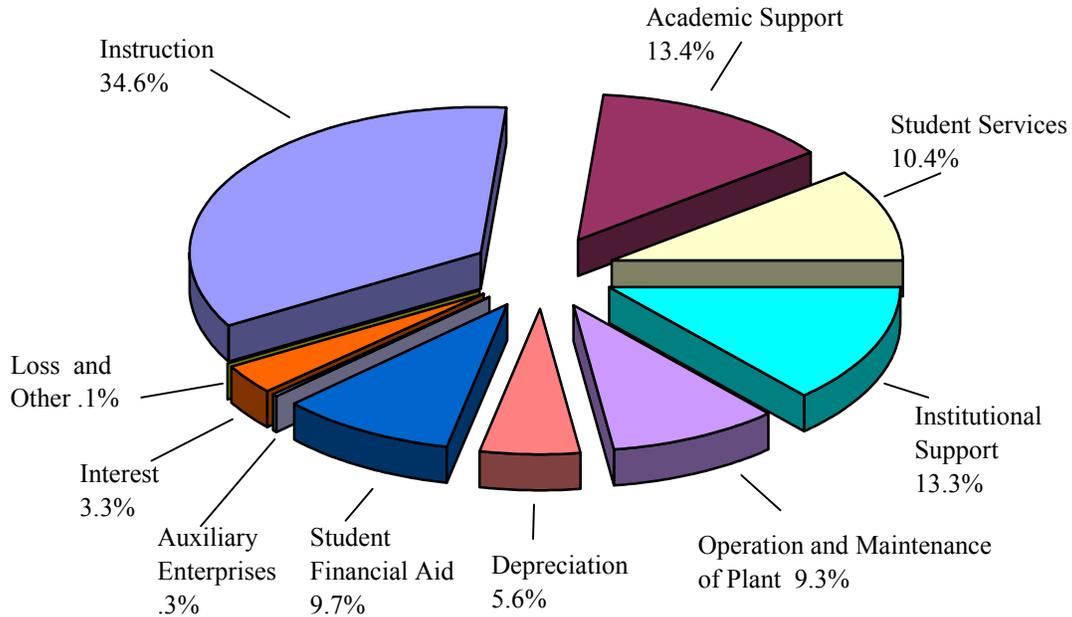
| | <u>2004</u> | <u>2003</u> | <u>% Change</u> |
|--|----------------------|----------------------|-----------------|
| <u>Operating Expenses</u> | | | |
| Educational and General | | | |
| Instruction | \$ 49,763,342 | \$ 47,902,100 | 3.9% |
| Academic Support | 19,288,581 | 17,429,871 | 10.7% |
| Student Services | 14,993,217 | 13,714,265 | 9.3% |
| Institutional Support | 19,126,135 | 17,603,225 | 8.7% |
| Operation and Maintenance of Plant | 13,391,180 | 10,950,863 | 22.3% |
| Student Financial Aid | 13,874,635 | 12,903,217 | 7.5% |
| Auxiliary Enterprises | 400,314 | 404,040 | -0.9% |
| Depreciation | 7,989,477 | 7,346,308 | 8.8% |
| Total Operating Expenses | 138,826,881 | 128,253,889 | 8.2% |
| <u>Nonoperating Expenses</u> | | | |
| Interest on Capital Asset-Related Debt | 4,732,158 | 5,780,427 | -18.1% |
| Loss on Capital Asset Disposal | 138,012 | 2,923,462 | -95.3% |
| Other Nonoperating Expenses | 49,539 | 84,520 | -41.4% |
| Total Nonoperating Expenses | 4,919,709 | 8,788,409 | -44.0% |
| Total Expenses | \$143,746,590 | \$137,042,298 | 4.9% |

Operating expenses in 2004 for instruction increased by \$1.9 million, academic support increased by \$1.9 million, student services increased by \$1.3 million and institutional support increased by \$1.5 million. These increases were due primarily to salary increases averaging 4% for employees and fringe benefit increases (including a 3.08% retirement contribution increase) which were approved in the 2003/04 budget process by the Board of Governors. Operation and maintenance of plant expenses increased by \$2.4 million due to project expenditures. Student financial aid increased by \$1 million primarily due to increases in Pell Grants to students. Depreciation increased by \$.6 million due to additions to capital assets including buildings and equipment at the Northwest Campus and Green Valley Learning Center funded through bond-financed capital.

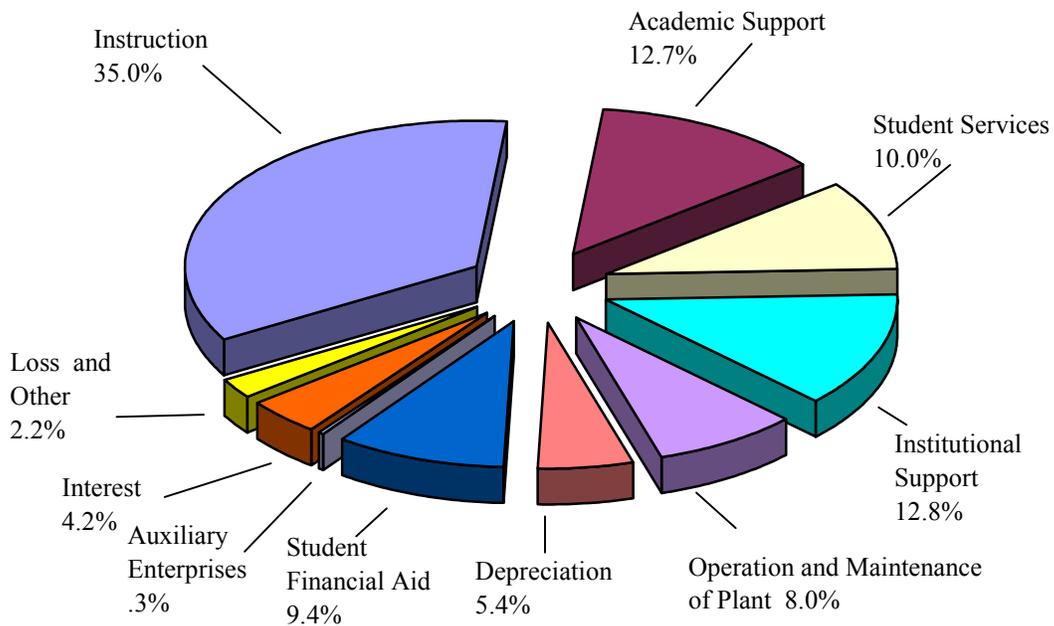
Nonoperating expenses in 2004 for interest on capital asset-related debt decreased by \$1 million due to reduced outstanding long-term debt. Loss on capital asset disposal decreased by \$2.8 million due to the nonrecurring asset disposal activity associated with capital projects in 2003. Overall, total expenses increased from 2003 by \$6.7 million.

Management's Discussion and Analysis

Pima County Community College District Expenses by Category - 2004



Expenses by Category - 2003



Management's Discussion and Analysis

Capital Assets

Below is a summary of the capital assets for the Pima County Community College District, net of depreciation, as of June 30.

| | <u>2004</u> | <u>2003</u> | <u>% Change</u> |
|------------------------------|----------------------|----------------------|-----------------|
| <u>Capital Assets</u> | | | |
| Land | \$ 13,405,929 | \$ 13,405,929 | 0.0% |
| Construction in Progress | 2,183,537 | 20,411,328 | -89.3% |
| Buildings and Improvements | 130,747,205 | 114,275,816 | 14.4% |
| Equipment | 6,782,456 | 4,357,756 | 55.6% |
| Leasehold Improvements | 2,264,164 | 2,370,638 | -4.5% |
| Library Books | 1,415,528 | 1,200,577 | 17.9% |
| Total Capital Assets | \$156,798,819 | \$156,022,044 | 0.5% |

During the fiscal year ended June 30, 2004, construction was completed on two major projects: the Northwest Campus and the Green Valley Learning Center. This resulted in an increase in buildings and improvements of \$16.5 million and a decrease in construction in progress of \$18.2 million and an increase to equipment of \$2.4 million. The estimated costs to complete ongoing construction projects at June 30, 2004 were \$1.2 million. See Note 3 on page 31 for additional detail on capital asset activity.

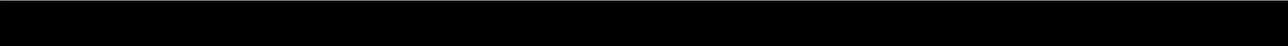
Long-Term Debt

At June 30, 2004, the College had six debt issues outstanding. These issues included three general obligation bond issues for \$80,785,000, one revenue bond issue for \$645,000, one refunding revenue bond issue for \$2,825,000 and one pledged revenue refunding obligations issue for \$5,620,000. Total long-term debt at June 30, 2004, is \$89,875,000. See Note 4 on pages 31 and 32 for further details on the long-term debt.

Economic Outlook

For the year ended June 30, 2004, the economic conditions in Pima County continued to improve while the demand from the community for educational services remained steady. Full-time student equivalent enrollment (FTSE) decreased slightly during the year with only slight increases in enrollment projected for the coming year. A comprehensive planning process was completed during the year to focus efforts on the "one college, one vision" concept and improve services to students.

The College will maintain the tuition rate of \$42 per credit hour and add a new student services fee of \$2.50 per credit hour for the fall 2004 term to fund athletics and other student support programs, including support for adult learners. State appropriations for FY 2004/05 will increase by \$1.5 million for maintenance and operation and by \$.6 million for capital. Increased property values in Pima County will result in decreases in the tax rates both for operations and for debt retirement for FY 2004/05. These factors, the strength of the local economy and the resulting revenue to the College from property taxes combined with the increase in net assets for the year ended June 30, 2004, result in a strong financial base for the College going into the future.



Basic Financial Statements

Statement of Net Assets

As of June 30, 2004

| | Primary Government College | Component Unit Foundation |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 54,968,124 | \$1,849,498 |
| Short-term Investments | | 658,765 |
| Receivables | | |
| Property Taxes (less allowances of \$599,000) | 4,212,646 | |
| Accounts (less allowance of \$522,500) | 1,336,713 | |
| Government Grants and Contracts | 1,003,325 | |
| Student Loans, current portion | 318,000 | |
| Other (less allowance for College of \$24,300) | 3,487,324 | 4,527 |
| Inventories | 119,138 | |
| Prepaid Expenses | 145,987 | |
| Total Current Assets | 65,591,257 | 2,512,790 |
| Noncurrent Assets | | |
| Restricted Cash and Cash Equivalents | 4,410,856 | 2,190,009 |
| Student Loans Receivable (less allowance of \$683,188) | 1,053,127 | |
| Other Long-term Investments | 6,874,980 | 222,094 |
| Capital Assets | | |
| Land and Improvements | 13,405,929 | |
| Construction in Progress | 2,183,537 | |
| Buildings and Improvements (net of depreciation) | 130,747,205 | |
| Equipment (net of depreciation) | 6,782,456 | |
| Leasehold Improvements (net of depreciation) | 2,264,164 | |
| Library Books (net of depreciation) | 1,415,528 | |
| Total Noncurrent Assets | 169,137,782 | 2,412,103 |
| Total Assets | 234,729,039 | 4,924,893 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accrued Payroll and Employee Benefits | 5,339,012 | |
| Accounts Payable and Accrued Liabilities | 3,882,091 | 5,670 |
| Deposits Held in Custody for Others | 333,841 | |
| Deferred Revenue | 1,735,766 | |
| Current Portion of Long-term Liabilities | 5,343,024 | 2,367 |
| Total Current Liabilities | 16,633,734 | 8,037 |
| Noncurrent Liabilities | | |
| Construction Contract Retentions Payable | 213,354 | |
| Deferred Revenue | 899,924 | |
| Long-term Liabilities | 90,292,270 | 19,914 |
| Total Noncurrent Liabilities | 91,405,548 | 19,914 |
| Total Liabilities | 108,039,282 | 27,951 |
| NET ASSETS | | |
| Invested in Capital Assets (net of related debt) | 66,710,465 | |
| Restricted for: | | |
| Expendable: | | |
| Debt Service | 3,607,225 | |
| Grants and Contracts | 1,598,744 | |
| Scholarships and Other Programs | | 2,353,901 |
| Nonexpendable: | | |
| Perkins Loans | 1,438,781 | |
| Permanently Restricted Endowment | | 2,190,009 |
| Unrestricted | 53,334,542 | 353,032 |
| Total Net Assets | \$126,689,757 | \$4,896,942 |

See accompanying notes to financial statements

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2004

| | Primary Government College | Component Unit Foundation |
|---|-------------------------------|------------------------------|
| OPERATING REVENUES | | |
| Tuition and Fees (net of scholarship allowances of \$7,101,391) | \$ 23,923,443 | |
| Federal Grants and Contracts | 24,845,423 | |
| State and Local Grants and Contracts | 6,814,457 | |
| Commissions and Rents | 1,210,544 | |
| Other Operating Revenues | 1,267,483 | \$4,908,627 |
| Total Operating Revenues | 58,061,350 | 4,908,627 |
| OPERATING EXPENSES | | |
| Educational and General | | |
| Instruction | 49,763,342 | |
| Academic Support | 19,288,581 | |
| Student Services | 14,993,217 | |
| Institutional Support | 19,126,135 | 3,720,092 |
| Operation and Maintenance of Plant | 13,391,180 | |
| Student Financial Aid | 13,874,635 | 470,432 |
| Auxiliary Enterprises | 400,314 | |
| Depreciation | 7,989,477 | |
| Total Operating Expenses | 138,826,881 | 4,190,524 |
| Operating Income/(Loss) | (80,765,531) | 718,103 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property Taxes | 76,808,328 | |
| State Appropriations | 18,125,700 | |
| Share of State Sales Tax | 1,989,552 | |
| Gifts | 602,015 | 300,441 |
| Investment Income/Gains | 954,530 | 287,857 |
| Interest on Capital Asset-Related Debt | (4,732,158) | |
| Loss on Capital Asset Disposal | (138,012) | |
| Other Nonoperating Expenses | (49,539) | |
| Net Nonoperating Revenues | 93,560,416 | 588,298 |
| Income before Other Revenues, Expenses, Gains or Losses | 12,794,885 | 1,306,401 |
| Capital Appropriations | 2,654,800 | |
| Capital Gifts and Grants | 1,329,226 | |
| Increase in Net Assets | 16,778,911 | 1,306,401 |
| NET ASSETS | | |
| Net Assets - Beginning of Year | 109,910,846 | 3,590,541 |
| Net Assets - End of Year | \$126,689,757 | \$4,896,942 |

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended June 30, 2004

**Primary Government
College**

| CASH FLOWS FROM OPERATING ACTIVITIES | |
|---|---------------|
| Tuition and Fees | \$ 23,203,412 |
| Grants and Contracts | 31,260,278 |
| Commissions and Rents | 1,213,144 |
| Collection of Loans to Students | 607,029 |
| Other Receipts | 209,115 |
| Payments to Suppliers | (28,939,794) |
| Payments to Employees | (89,098,458) |
| Loans Issued to Students | (455,238) |
| Payments for Scholarships | (13,339,665) |
| Net Cash Used for Operating Activities | (75,340,177) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Property Taxes | 75,495,788 |
| State Appropriations | 18,125,700 |
| Share of State Sales Tax | 1,989,552 |
| Federal Family Education Loans and Direct Loans Received | 25,384,520 |
| Federal Family Education Loans and Direct Loans Disbursed | (25,444,138) |
| Funds Held for Others Received | 1,393,462 |
| Funds Held for Others Disbursed | (1,367,384) |
| Gifts and Grants Received for Other than Capital Purposes | 602,015 |
| Net Cash Provided by Noncapital Financing Activities | 96,179,515 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Appropriations | 2,654,800 |
| Purchases of Capital Assets | (7,412,909) |
| Principal Paid on Capital Debt | (16,514,402) |
| Interest Paid on Capital Debt | (4,783,963) |
| Capital Gifts and Grants Received | 51,226 |
| Net Cash Used for Capital and Related Financing Activities | (26,005,248) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Sales and Maturities of Investments | 5,994,146 |
| Purchases of Investments | (6,534,937) |
| Interest Received on Investments | 1,047,502 |
| Net Cash Provided by Investing Activities | 506,711 |
| Net Decrease in Cash and Cash Equivalents | (4,659,199) |
| Cash and Cash Equivalents - Beginning of Year | 64,038,179 |
| Cash and Cash Equivalents - End of Year | \$ 59,378,980 |

See accompanying notes to financial statements

**Primary Government
College**

| RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES | |
|--|------------------------|
| Operating Loss | \$ (80,765,531) |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities: | |
| Depreciation Expense | 7,989,477 |
| Changes in Assets and Liabilities: | |
| Increase in Receivables, Net | (1,612,918) |
| Increase in Inventories | (8,988) |
| Increase in Prepaid Expenses | (50,999) |
| Increase in Accrued Payroll and Employee Benefits | 138,744 |
| Decrease in Accounts Payable and Accrued Liabilities | (631,960) |
| Increase in Deferred Revenue | 32,653 |
| Decrease in Long-term Liabilities (Compensated Absences Portion) | (430,655) |
| Net Cash Used for Operating Activities | \$ (75,340,177) |

Nonoperating Non-cash Transactions Not Included in Above Statement:

| | |
|--|--------------|
| Unrealized Change in Fair Value of Investments | \$ (296,738) |
| Donated Assets | 1,278,000 |
| Disposals of Capital Assets | (138,012) |
| Construction Contract Retention Investments Returned | (1,590,187) |

See accompanying notes to financial statements

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pima County Community College District (the College) conform to generally accepted accounting principles (GAAP) applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). The College follows Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The College has chosen not to follow FASB Statements and Interpretations issued after November 30, 1989.

During the year ended June 30, 2004, the College implemented the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit to the College.

Reporting Entity:

The College is a special-purpose government that is governed by a separately elected governing body. It is legally separate and is fiscally independent of other state and local governments. Furthermore, the College has one discretely presented component unit, the Pima Community College Foundation, Inc. (the Foundation).

The Foundation is reported in a separate column in the financial statements to emphasize that it is legally separate from the College. The Foundation's cash flows are not presented because that information is not required by generally accepted accounting principles for public colleges. The Foundation was formed in 1977 as a nonprofit corporation controlled by a separate Board of Directors and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The goals of the Foundation are to provide scholarships and to advance and assist in the development, growth and operation of the College. During the year ended June 30, 2004, the Foundation distributed \$3,118,690 in in-kind gifts for those purposes. Complete financial statements can be obtained from the Foundation Office at 4905C East Broadway Boulevard, Tucson, AZ 85709-1320.

Basis of Presentation and Accounting:

The financial statements include the following:

- A. *Statement of Net Assets*: provides information about the assets, liabilities and net assets of the College at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified into three broad categories: unrestricted, restricted and invested in capital assets (net of related debt).
- B. *Statement of Revenues, Expenses and Changes in Net Assets*: provides information about the College's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating and all changes in net assets are reported.
- C. *Statement of Cash Flows*: provides information about the College's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing or investing.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Operating revenues are generated from the provision of instructional services (i.e., tuition and grants). Other revenues, such as property taxes and State appropriations, are not generated from operations and are therefore classified as nonoperating revenues. Property taxes are recognized in the year they are levied. State appropriations are recognized as revenue in the year the appropriation is first made available for use. Grants and donations are recognized as revenue when all eligibility requirements imposed by the provider have been met. The College eliminates all internal activity.

Notes to Financial Statements

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services and depreciation of capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

It is the College's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Cash and Investments:

The College's cash and cash equivalents consist of cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool (LGIP) and highly liquid investments. Nonparticipating interest-earning investment contracts are stated at cost. All other investments are stated at fair value.

Inventories:

The physical plant inventories are valued at cost or estimated cost by specific identification. General stores inventory is valued at cost using the weighted-average method.

Capital Assets:

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are reported at estimated fair value at the date of donation. All capital assets with a cost of \$5,000 or more are capitalized. Interest expense incurred during the construction phase of the College's facilities is capitalized as a cost of plant assets in accordance with generally accepted accounting principles. Assets (except land and improvements and construction in progress) are depreciated using the straight-line method, using one full year's depreciation in the first year and no depreciation in the year of disposition. For purposes of calculating depreciation, buildings and improvements are assigned useful lives of 5 to 40 years, equipment is assigned useful lives of 5 to 7 years and library books are assigned useful lives of 10 years. Leasehold improvements are depreciated over the lease period.

Compensated Absences:

Compensated absences consist of annual leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 315 hours of annual leave depending on years of service and employee group classification. Annual leave is accumulated by each employee on a prorated basis, every two weeks. No annual leave in excess of the maximum amount is accumulated by employees. Annual leave balances are paid upon termination. Accordingly, annual leave benefits are accrued as a liability on the financial statements.

Sick leave, providing for ordinary sick pay, is cumulative (up to 1,350 hours) and vests after 10 years of continuous service for regular employees who retire from the College under the provisions of the Arizona State Retirement System. Vested sick leave is payable to College employees upon retirement at a rate of 75% of pay to a maximum of \$100 per day.

An employee who separates from the College because of permanent disability or death shall be paid one hundred percent of his or her then current daily rate of pay for all unused accumulated sick leave (hire date on or after July 1, 1999 and limited to a total amount of \$10,000). Sick leave, except for unvested accumulated sick leave benefits expected to lapse and not result in compensation to employees, is included as a liability on the financial statements.

Scholarship Allowances:

A scholarship allowance is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the College are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the Statement of Revenues, Expenses and Changes in Net Assets.

Investment Income:

Investment income is comprised of interest, dividends and net changes in the fair value of applicable investments.

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

Primary Government - College

Arizona Revised Statutes (A.R.S.) require the College to deposit special tax levies for the College's maintenance and capital outlay with the County Treasurer. Although the College is not required by statute to deposit other public monies for which it has custody with the County Treasurer, it must act as a prudent person dealing with the property of another when making investment decisions about those monies.

Deposits:

At June 30, 2004, the College's total cash on hand was \$26,700. The carrying amount of the College's total cash in bank was \$3,479,683 and the bank balance was \$4,570,058. Of the bank balance, \$162,190 was covered by federal depository insurance and \$4,407,868 was covered by collateral held by the pledging financial institution's agent in the College's name.

Investments:

The College's investments at June 30, 2004, consist of the following:

| Investment | Fair Value |
|--|----------------------|
| U. S. government agency securities | \$ 6,874,980 |
| Investment in State Treasurer's Local Government Investment Pool | 51,935,860 |
| Cash and investments held by County Treasurer | 866,714 |
| Investments held by trustees | 3,070,023 |
| Total | \$ 62,747,577 |

The U.S. government agency securities were held by the College's agent in the College's name.

The College's investment in the State or County Treasurer's investment pool represents a proportionate interest in those pools' portfolios; however, the College's portion is not identified with specific investments and is not subject to custodial credit risk. The State Board of Investment provides oversight for the State Treasurer's pools. The Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

The College's investments held by trustees consisted of money market funds invested in U.S. government obligations held in the trustees' Federal Reserve Bank accounts. These investments are recorded in the College's name in the records of the trustees. The trustees act as both custodial and purchasing agents for investment transactions.

Component Unit - Foundation

The Pima Community College Foundation, Inc. – At June 30, 2004 the Foundation's cash and cash equivalents were in the amount of \$1,849,498.

The Foundation's investments at June 30, 2004 consisted of the following:

| <i>Foundation</i> | |
|--|-------------------|
| Fixed income securities | \$ 54,813 |
| Bond Funds | 1,253,290 |
| Equity Funds | 1,527,048 |
| Funds on deposit with Community Foundation for Southern Arizona | 13,623 |
| Less restricted for long-term endowments | (2,190,009) |
| Total available for operations | \$ 658,765 |

Notes to Financial Statements

3. CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2004, was as follows:

| Description | Balance 7/1/2003 | Increases | Decreases | Balance 6/30/2004 |
|---------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Land and improvements | \$ 13,405,929 | | | \$ 13,405,929 |
| Construction in progress | 20,411,328 | \$ 4,212,485 | \$ 22,440,276 | 2,183,537 |
| Depreciable assets | | | | |
| Buildings and improvements | 150,444,749 | 22,440,276 | | 172,885,025 |
| Equipment | 17,601,365 | 4,241,358 | 487,410 | 21,355,313 |
| Leasehold improvements | 2,585,100 | | | 2,585,100 |
| Library books | 5,436,804 | 450,421 | 147,594 | 5,739,631 |
| Total capital assets | 209,885,275 | 31,344,540 | 23,075,280 | 218,154,535 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 36,168,933 | 5,968,887 | | 42,137,820 |
| Equipment | 13,243,609 | 1,678,646 | 349,398 | 14,572,857 |
| Leasehold improvements | 214,462 | 106,474 | | 320,936 |
| Library books | 4,236,227 | 235,470 | 147,594 | 4,324,103 |
| Total accumulated depreciation | 53,863,231 | 7,989,477 | 496,992 | 61,355,716 |
| Capital assets, net | \$ 156,022,044 | \$ 23,355,063 | \$ 22,578,288 | \$ 156,798,819 |

The estimated costs to complete open construction projects at June 30, 2004 were \$1,159,817.

4. LONG -TERM LIABILITIES

The following schedule details the College's long-term liability and obligation activity for the year ended June 30, 2004:

| Description | Balance 7/1/2003 | Additions | Reductions | Balance 6/30/2004 | Due within one year |
|--|-----------------------|---------------------|----------------------|----------------------|------------------------|
| Bonds payable: | | | | | |
| Installment purchase contracts | \$ 109,402 | | \$ 109,402 | | |
| General obligation bonds | 94,215,000 | | 13,430,000 | \$ 80,785,000 | |
| Revenue bonds | 4,470,000 | | 1,000,000 | 3,470,000 | \$ 1,030,000 |
| Certificates of ownership of supplemental interest | 725,000 | | 725,000 | | |
| Pledged revenue refunding obligations | 6,870,000 | | 1,250,000 | 5,620,000 | 1,300,000 |
| Compensated absences payable | 6,190,949 | \$ 3,519,646 | 3,950,301 | 5,760,294 | 3,013,024 |
| Total long-term liabilities | \$ 112,580,351 | \$ 3,519,646 | \$ 20,464,703 | \$ 95,635,294 | \$ 5,343,024 |

Bonds and Pledged Revenue Refunding Obligations Payable

The College's bonded debt consists of various issues of general obligation bonds, pledged revenue refunding obligations and revenue bonds. The Series A (1996) and Series B (1999) general obligation bonds maturing on or before July 1, 2006 are noncallable prior to maturity. The Series A and B bonds maturing on or after July 1, 2007, are callable prior to maturity on or after July 1, 2006. The Series C (2001) bonds are noncallable. The revenue bonds are generally callable. The Pledged Revenue Refunding Obligations are not subject to

Notes to Financial Statements

redemption prior to their respective maturity dates. On all bonds and obligations, interest is payable semiannually on July 1 and January 1 of each year.

| Description | Outstanding Principal | Interest Rates |
|---|--------------------------|-------------------|
| General obligation bonds: | | |
| Buildings and improvements: | | |
| Project of 1995 - Series A (1996) | \$ 15,355,000 | 5.0 to 7.0% |
| Project of 1995 - Series B (1999) | 24,535,000 | 4.5 to 4.7% |
| Project of 1995 - Series C (2001) | 40,895,000 | 4.0 to 5.0% |
| Pledged Revenue Refunding Obligations (PRROs) 2001 | 5,620,000 | 4.0 to 5.0% |
| Revenue bonds: | | |
| Project of 1970 - Series A | 645,000 | 7.0 to 7.5% |
| Advance refunding: | | |
| Project of 1987 - Series A (1993) | 2,825,000 | 5.3 to 5.5% |
| Total | \$ 89,875,000 | |

Bond proceeds were used primarily to pay for acquiring land or constructing capital facilities. Certain general obligation and revenue bonds were issued to advance refund previously issued bonds. The College repays general obligation bonds from ad-valorem property taxes. Payment of interest and principal on revenue bonds and PRROs is secured by a pledge of tuition, fees, rents and other operating revenues.

The following schedule details debt service requirements to maturity for the College's bonds and PRROs payable at June 30, 2004:

| Year ending June 30: | Revenue Bonds | | General Obligation Bonds | | PRROs | |
|-------------------------|---------------------|-------------------|--------------------------|----------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2005 | \$ 1,030,000 | \$ 170,305 | | \$ 3,943,775 | \$ 1,300,000 | \$ 244,100 |
| 2006 | 1,095,000 | 111,783 | \$ 9,110,000 | 3,505,300 | 1,370,000 | 177,350 |
| 2007 | 865,000 | 56,863 | 9,945,000 | 3,048,863 | 1,440,000 | 109,300 |
| 2008 | 180,000 | 26,700 | 10,575,000 | 2,579,344 | 1,510,000 | 37,750 |
| 2009 | 100,000 | 17,500 | 11,250,000 | 2,090,030 | | |
| 2010-14 | 200,000 | 14,000 | 38,550,000 | 3,325,185 | | |
| 2015 | | | 1,355,000 | 33,875 | | |
| Total | \$ 3,470,000 | \$ 397,151 | \$ 80,785,000 | \$ 18,526,372 | \$ 5,620,000 | \$ 568,500 |

At June 30, 2004, \$5,100,000 of general obligation bonds were considered defeased because the College placed refunding bond proceeds in a depository trust in a prior year to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements.

Notes to Financial Statements

5. OPERATING LEASES

The College leases building space and land under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Lease expenses under the terms of the operating leases were \$289,291 for the year ended June 30, 2004. The leases have remaining non-cancelable lease terms of one to seven years and provide renewal options. The future minimum lease payments required under operating leases at June 30, 2004 were as follows:

| Year ending June 30: | |
|-------------------------------------|---------------------|
| 2005 | \$ 288,845 |
| 2006 | 294,581 |
| 2007 | 298,681 |
| 2008 | 302,926 |
| 2009 | 307,318 |
| 2010 | 206,876 |
| Total Minimum Lease Payments | \$ 1,699,227 |

6. RETIREMENT PLAN

Plan Description:

The College contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (the System). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, PO Box 33910, Phoenix, AZ 85067-3910 or at www.asrs.state.az.us.

Funding Policy:

The Arizona State Legislature establishes and may amend active plan members' and the College's contribution rates. For the year ended June 30, 2004, active plan members and the College were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The College's contributions to the System for the fiscal years ended June 30, 2004, 2003 and 2002 were \$3,341,747, \$1,457,175 and \$1,349,256, respectively, which were equal to the required contributions for the year.

7. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; natural disasters; errors and omissions; and injuries to employees. The College participates in a risk retention trust for liabilities arising from general liability and automobile risks. The trust operating agreement includes a provision for member assessment in the event that total claims paid by the trust exceed the contributions and reserves in any one year. The assessment is limited to the contribution amount paid by the College during the year in which the assessment is applied. The trust has never had such an assessment. The College carries commercial insurance for other risks of loss, including property, workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

In addition, the College finances uninsured risks of loss for prescription benefits to eligible employees and their dependents. The prescription plan provides coverage for eligible prescription drugs with an employee-paid co-

Notes to Financial Statements

payment determined by the drug's availability within the plan's formulary. The College determines the required funding annually based upon anticipated utilization, cost trends and benefit levels. The College does not purchase insurance for claims in excess of the projected funding level. An independent administrator provides claim and record-keeping services for the plan.

| Prescription Plan | Year Ending June 30 | |
|---------------------------------------|---------------------|-------------|
| | 2003 | 2004 |
| Claims liability at beginning of year | | \$ 46,401 |
| Claims incurred during the year | \$ 1,032,495 | 1,284,877 |
| Payments on claims | (986,094) | (1,245,980) |
| Claims liability at end of year | 46,401 | 85,298 |

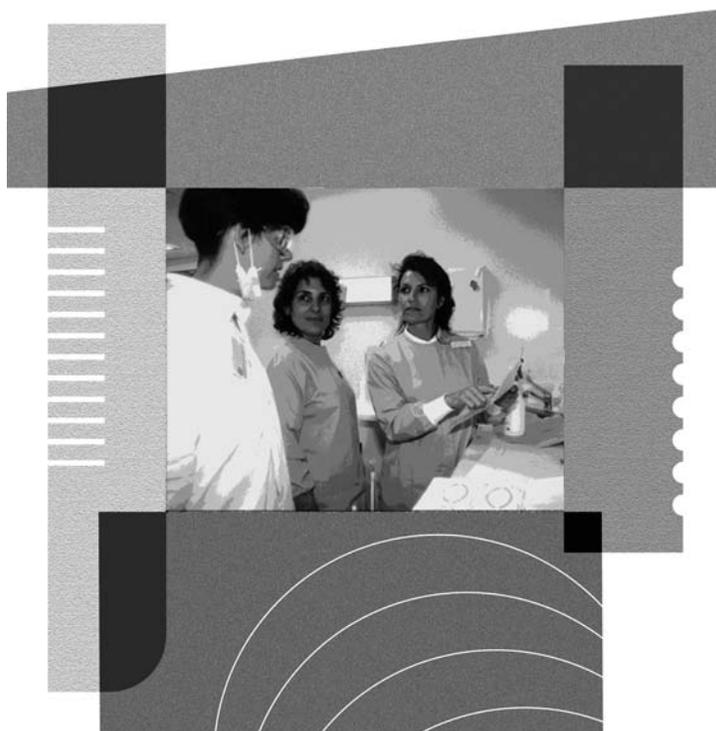
8. OPERATING EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses are presented by functional category in the Statement of Revenues, Expenses and Changes in Net Assets. The operating expenses are also classified into the following natural classifications:

| Description | Amount |
|---------------------------------|-----------------------|
| Compensation and Benefits | \$ 89,856,458 |
| Communications and Utilities | 4,726,313 |
| Travel | 1,493,842 |
| Contractual Services | 8,246,610 |
| Supplies and Materials | 9,819,023 |
| Scholarships | 13,874,635 |
| Other Expenses | 2,820,523 |
| Depreciation | 7,989,477 |
| Total operating expenses | \$ 138,826,881 |

9. SUBSEQUENT EVENT

The College entered into a lease purchase agreement with the Arizona Board of Regents, on behalf of the University of Arizona, on July 1, 2004 to acquire a building owned by the Arizona Board of Regents at the College's Northwest Campus. Total payments including principal and interest by the College over the 18-year term of the agreement will be \$7.9 million.



Statistical Section

The following statistical schedules are presented as supplemental trend data and other nonfinancial information to help readers of the Comprehensive Annual Financial Report (CAFR) assess the financial condition of the Pima County Community College District. These schedules should be read in conjunction with the other sections of the CAFR. The source of information for each of the schedules is shown at the bottom of the schedule. In addition, other notes are provided to explain any noncomparable information contained on each individual schedule.

Revenues by Source

For the last three fiscal years ending June 30

| Operating Revenues | 2004 | 2003 | 2002 |
|---|----------------------|----------------------|----------------------|
| Tuition and Fees, net of scholarship allowances | \$ 23,923,443 | \$ 20,091,395 | \$19,160,870 |
| Federal Grants and Contracts | 24,845,423 | 23,764,169 | 22,008,213 |
| State and Local Grants and Contracts | 6,814,457 | 8,625,952 | 6,863,893 |
| Commissions and Rents | 1,210,544 | 1,141,535 | 1,253,423 |
| Other Operating Revenues | 1,267,483 | 1,065,217 | 1,196,049 |
| Total Operating Revenues | \$58,061,350 | \$54,688,268 | \$50,482,448 |
| Nonoperating Revenues | | | |
| Property Taxes | \$76,808,328 | \$70,962,776 | \$67,273,353 |
| State Appropriations | 18,125,700 | 18,125,700 | 19,465,800 |
| Share of State Sales Tax | 1,989,552 | 1,769,777 | 1,486,719 |
| Gifts | 602,015 | 506,992 | 613,289 |
| Investment Income | 954,530 | 1,458,859 | 3,907,035 |
| Total Nonoperating Revenues | \$98,480,125 | \$92,824,104 | \$92,746,196 |
| Capital Appropriations | \$2,654,800 | \$2,654,800 | \$2,710,200 |
| Capital Gifts and Grants | 1,329,226 | 261,958 | 166,726 |
| Total Revenues | \$160,525,501 | \$150,429,130 | \$146,105,570 |

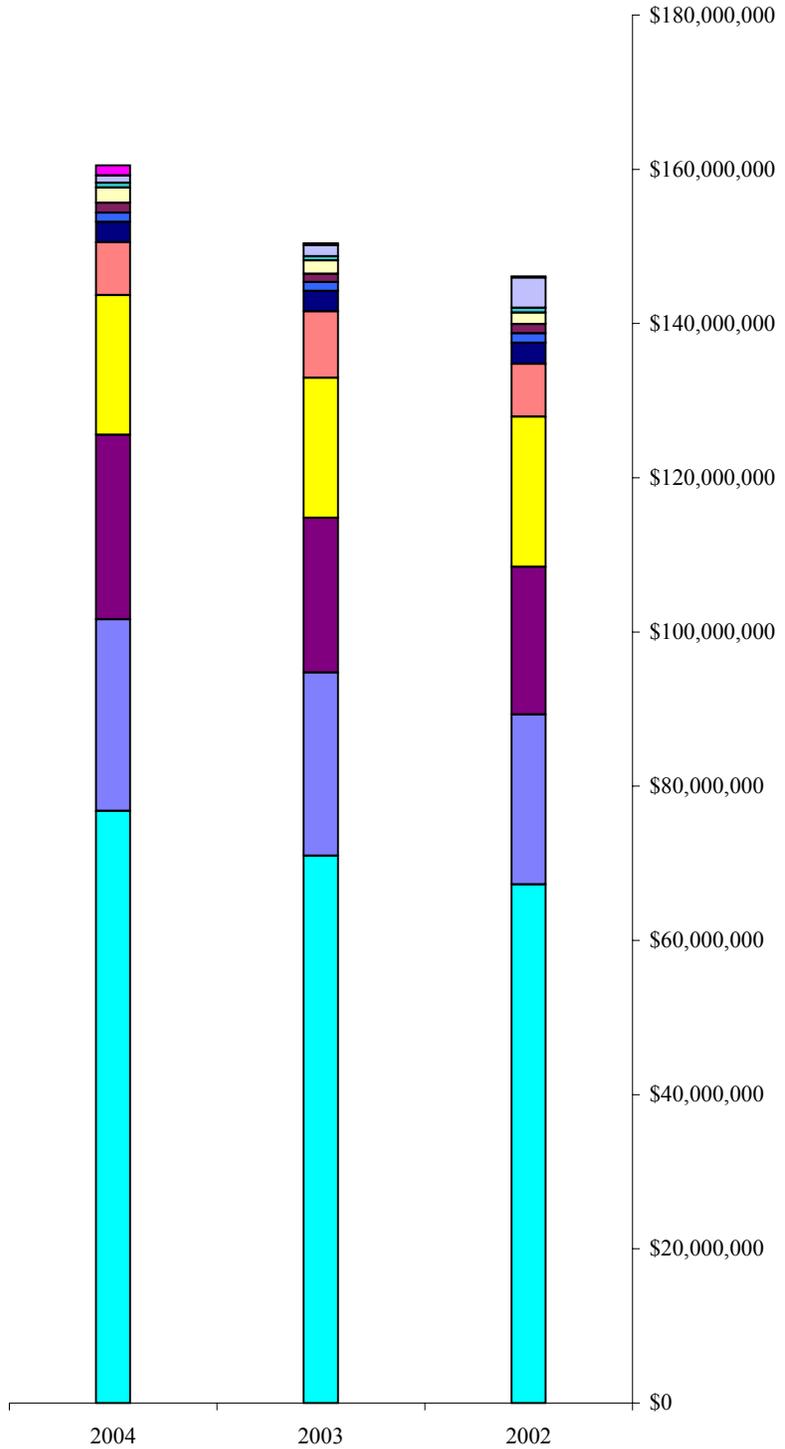
Source: Comprehensive annual financial report

Note: Only three years of comparative information was available due to the implementation of GASB Statement No. 35 for the year ended June 30, 2002.

Revenues by Source

For the last three fiscal years ending June 30

- Capital Gifts and Grants
- Investment Income
- Gifts
- Share of State Sales Tax
- Other Operating Revenues
- Commissions and Rents
- Capital Appropriations
- State and Local Grants and Contracts
- State Appropriations
- Tuition & Fees, net of scholarship allowances
- Federal Grants and Contracts
- Property Taxes



Operating and Nonoperating Expenses

For the last three fiscal years ending June 30

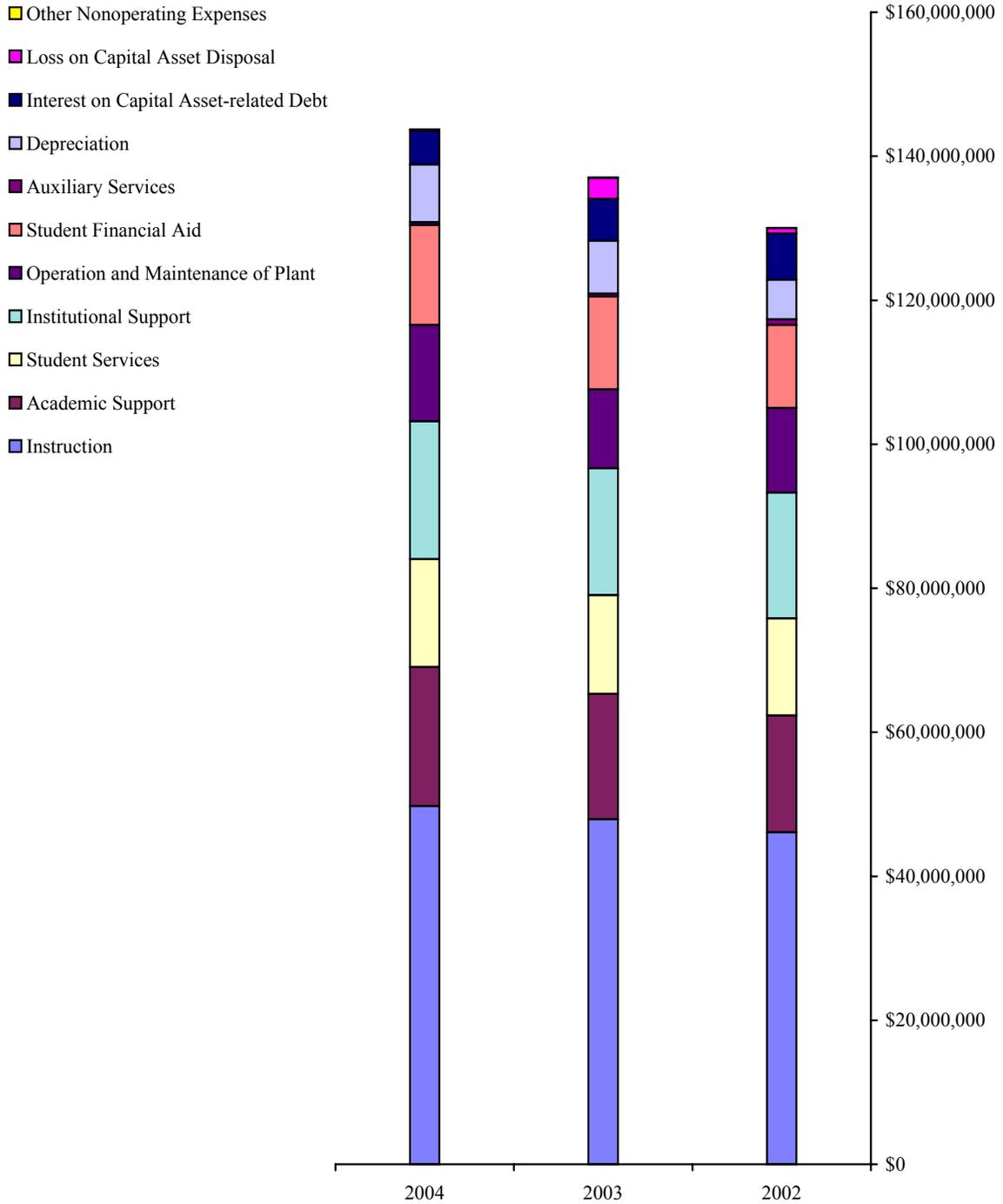
| Operating Expenses | 2004 | 2003 | 2002 |
|--|----------------------|----------------------|----------------------|
| Instruction | \$ 49,763,342 | \$47,902,100 | \$46,110,240 |
| Academic Support | 19,288,581 | 17,429,871 | 16,194,068 |
| Student Services | 14,993,217 | 13,714,265 | 13,491,171 |
| Institutional Support | 19,126,135 | 17,603,225 | 17,451,004 |
| Operation and Maintenance of Plant | 13,391,180 | 10,950,863 | 11,776,256 |
| Student Financial Aid | 13,874,635 | 12,903,217 | 11,538,248 |
| Auxiliary Services | 400,314 | 404,040 | 749,955 |
| Depreciation | 7,989,477 | 7,346,308 | 5,497,027 |
| Total Operating Expenses | \$138,826,881 | \$128,253,889 | \$122,807,969 |
| Nonoperating Expenses | | | |
| Interest on Capital Asset-related Debt | \$4,732,158 | \$5,780,427 | \$6,443,178 |
| Loss on Capital Asset Disposal | 138,012 | 2,923,462 | 773,247 |
| Other Nonoperating Expenses | 49,539 | 84,520 | 43,035 |
| Total Nonoperating Expenses | \$4,919,709 | \$8,788,409 | \$7,259,460 |
| Total Expenses | \$143,746,590 | \$137,042,298 | \$130,067,429 |

Source: Comprehensive annual financial report

Note: Only three years of comparative information was available due to the implementation of GASB Statement No. 35 for the year ended June 30, 2002.

Operating and Nonoperating Expenses

For the last three fiscal years ending June 30



Property Tax Levies and Collections (1)
Last Ten Fiscal Years

| Fiscal Year | Original Real Property Tax Levy | Board Ordered Changes thru 6/30/04 | Adjusted Levy | (2) Collections/Payments Initial Tax Year | Percent of Original Levy | (2) Collections/Payments thru 6/30/04 | Percent of Adjusted Levy | (3) Taxes Receivable as of 6/30/04 |
|-------------|---------------------------------|------------------------------------|---------------|---|--------------------------|---------------------------------------|--------------------------|------------------------------------|
| 1994/95 | 30,587,852 | (249,407) | 30,338,445 | 29,190,631 | 95.43% | 30,387,583 | 100.16% | (49,138) |
| 1995/96 | 35,332,218 | (141,966) | 35,190,252 | 33,863,297 | 95.84% | 35,235,312 | 100.13% | (45,060) |
| 1996/97 | 35,299,538 | (255,878) | 35,043,660 | 33,829,663 | 95.84% | 35,041,050 | 99.99% | 2,610 |
| 1997/98 | 36,191,844 | (159,711) | 36,032,133 | 34,676,292 | 95.81% | 36,066,529 | 100.10% | (34,396) |
| 1998/99 | 38,923,992 | (242,283) | 38,681,709 | 37,169,033 | 95.49% | 38,693,679 | 100.03% | (11,970) |
| 1999/00 | 42,382,688 | (177,858) | 42,204,830 | 40,411,129 | 95.35% | 42,189,731 | 99.96% | 15,099 |
| 2000/01 | 45,463,598 | (215,175) | 45,248,423 | 43,432,345 | 95.53% | 45,235,937 | 99.97% | 12,486 |
| 2001/02 | 47,198,401 | (240,020) | 46,958,381 | 45,098,759 | 95.55% | 46,952,566 | 99.99% | 5,815 |
| 2002/03 | 50,866,027 | (171,151) | 50,694,876 | 48,822,905 | 95.98% | 50,722,636 | 100.05% | (27,760) |
| 2003/04 | 53,959,971 | (86,664) | 53,873,307 | 51,984,279 | 96.34% | 51,984,279 | 96.49% | 1,889,028 |
| Totals | \$416,206,129 | (\$1,940,113) | \$414,266,016 | \$398,478,333 | | \$412,509,302 | | \$1,756,714 |

Source: All figures are derived from Pima County Treasurer's Tax Ledgers and spreadsheets.

Notes:

(1) All amounts shown are for primary property taxes only. Unsecured personal property taxes are not included in this schedule because the dates of the monthly tax rolls vary each year. On the average 93% of unsecured property taxes are collected within 90 days after the due date.

Total unsecured personal property tax board ordered changes and collections for the 2003-04 fiscal year were \$61,599 and \$1,811,687, respectively, for tax years 1976 through 2003, including rolls and cycles through June 30, 2004. The total outstanding levy at June 30, 2004, for the period cited stands at \$1,758,198.

(2) Amounts collected are on a cash basis.

(3) Represents the difference between the adjusted levy and collected to June 30, 2004.

Assessed Value and Full Cash Value of All Taxable Property

Last Ten Fiscal Years (dollars in thousands)

| Fiscal Year/Levy Type (1) | Net Assessed Value | Full Cash Value (2) | Ratio of Net Assessed to Full Cash Value |
|---------------------------|--------------------|---------------------|--|
| 1994/95 Primary | \$3,049,266 | \$27,753,938 | 10.99% |
| 1994/95 Secondary | 3,150,105 | 28,575,801 | 11.02% |
| 1995/96 Primary | \$3,130,753 | \$28,973,933 | 10.81% |
| 1995/96 Secondary | 3,218,884 | 29,751,116 | 10.82% |
| 1996/97 Primary | \$3,208,291 | \$30,042,703 | 10.68% |
| 1996/97 Secondary | 3,247,512 | 30,433,238 | 10.67% |
| 1997/98 Primary | \$3,468,269 | \$31,002,247 | 11.19% |
| 1997/98 Secondary | 3,700,218 | 34,304,545 | 10.79% |
| 1998/99 Primary | \$3,682,397 | \$33,930,287 | 10.85% |
| 1998/99 Secondary | 3,852,574 | 35,295,924 | 10.92% |
| 1999/00 Primary | \$3,853,630 | \$32,800,358 | 11.75% |
| 1999/00 Secondary | 4,000,624 | 33,892,170 | 11.80% |
| 2000/01 Primary | \$4,111,664 | \$34,898,918 | 11.78% |
| 2000/01 Secondary | 4,236,071 | 35,819,667 | 11.83% |
| 2001/02 Primary | \$4,361,493 | \$37,257,921 | 11.71% |
| 2001/02 Secondary | 4,491,395 | 38,196,337 | 11.76% |
| 2002/03 Primary | \$4,669,336 | \$39,908,791 | 11.70% |
| 2002/03 Secondary | 4,835,561 | 41,109,997 | 11.76% |
| 2003/04 Primary | \$5,022,474 | \$42,927,737 | 11.70% |
| 2003/04 Secondary | 5,221,271 | 44,423,165 | 11.75% |

Source: Pima County Department of Finance (June 30, 2003 CAFR)
Pima County Assessor's Office

Notes: (1) Primary - Taxes levied to pay for current operation and maintenance expenses.
Secondary - Taxes levied to pay principal and interest on bonded indebtedness and special district assessments.
(2) Full Cash Value is an Assessor's approximation of market value.

Property Tax Rates, Direct and Overlapping Governments

Last Ten Fiscal Years (Per \$100 of Assessed Value)

| Fiscal Year | Pima County Community College District | State of Arizona | Central Arizona Water Conservation District | Pima County | (1) Flood Control District | County Library District | Education Assistance | (2) Cortaro-Marana Irrigation District |
|-------------|--|------------------|---|-------------|----------------------------|-------------------------|----------------------|--|
| 1994/95 | 1.1038 | 0.4700 | 0.1400 | 4.5804 | 0.4623 | 0.2024 | 0.5300 | 1.0000 |
| 1995/96 | 1.2183 (4) | 0.4700 | 0.1400 | 4.5877 | 0.3596 | 0.2124 | 0.5300 (5) | 1.0000 |
| 1996/97 | 1.2433 (4) | 0.0000 | 0.1400 | 4.5387 | 0.3596 | 0.2224 | 0.5300 | 1.0000 |
| 1997/98 | 1.1836 (4) | 0.0000 | 0.1400 | 4.6356 | 0.3296 | 0.2224 | 0.5300 | 1.0000 |
| 1998/99 | 1.1922 (4) | 0.0000 | 0.1400 | 4.7017 | 0.3246 | 0.2224 | 0.5300 | 1.0000 |
| | | | | | | | | |
| 1999/00 | 1.3696 (4) | 0.0000 | 0.1400 | 5.0581 | 0.3046 | 0.2024 | 0.5217 | 1.0000 |
| 2000/01 | 1.5574 (4) | 0.0000 | 0.1300 | 5.0565 | 0.3046 | 0.2024 | 0.5123 | 1.0000 |
| 2001/02 | 1.5470 (4) | 0.0000 | 0.1300 | 5.0158 | 0.3546 | 0.2124 | 0.4974 | 24.7500 |
| 2002/03 | 1.5333 (4) | 0.0000 | 0.1300 | 4.9328 | 0.3546 | 0.2124 | 0.4889 | 24.7500 |
| 2003/04 | 1.4884 (4) | 0.0000 | 0.1200 | 4.9311 | 0.3546 | 0.2124 | 0.4717 | 50.0000 |

| Fiscal Year | (2) Flowing Wells Irrigation District | (2) Silverbell Irrigation District | City of Tucson | City of South Tucson | (3) Mobile Home Relocation District | (6) Towns Other | School Districts Range From To | |
|-------------|---------------------------------------|------------------------------------|----------------|----------------------|-------------------------------------|-----------------|--------------------------------|---------|
| 1994/95 | 6.9300 | 1.5000 | 1.1582 | 0.1300 | 0.5000 | - | 1.7019 | 10.8924 |
| 1995/96 (5) | 6.9300 | 1.5000 | 1.1490 | 0.3100 | 0.5000 | - | 1.8636 | 11.2560 |
| 1996/97 | 6.9300 | 1.5000 | 1.1489 | 0.2937 | 0.5000 | - | 2.2000 | 10.5055 |
| 1997/98 | 6.9300 | 2.0000 | 0.9916 | 0.2937 | 0.5000 | - | 2.2000 | 10.6503 |
| 1998/99 | 6.9300 | 3.0000 | 0.9601 | 0.2937 | 0.5000 | - | 2.2000 | 10.5437 |
| | | | | | | | | |
| 1999/00 | 6.9300 | 3.0000 | 1.0238 | 0.2937 | 0.5000 | - | 2.1654 | 10.6897 |
| 2000/01 | 6.9300 | 3.0000 | 1.1270 | 0.2918 | 0.5000 | - | 2.1265 | 10.3609 |
| 2001/02 | 10.4000 | 3.0000 | 1.1202 | 0.2828 | 0.5000 | - | 2.0647 | 10.3706 |
| 2002/03 | 10.4000 | 3.0000 | 1.1202 | 0.2706 | 0.0000 | - | 2.0296 | 9.6945 |
| 2003/04 | 10.4000 | 3.0000 | 1.1569 | 0.2513 | 0.0000 | 0.1876 | 1.9583 | 9.1041 |

Source: Pima County Department of Finance (June 30, 2003 CAFR)

Notes: (1) The Pima County Flood Control District tax levy applies only to real property.

(2) Irrigation districts tax rates shown are levied on a per acre basis.

(3) Mobile Home Relocation levy applies only to unsecured mobile homes. (is not presented after 2001-02)

(4) Rate includes the secondary tax levy for debt service on general obligation bonds.

(5) In FY 1995-96 the Country Club Estates special improvement district levied a one-time assessment for legal costs. The rate thereof was \$0.8807.

(6) This amount represents the average for the Towns of Casa Adobes and Tortolita incorporation costs.

(A) The Towns of Marana, Oro Valley and Sahuarita do not currently levy a property tax.

(B) The Tucson Business Improvement District levy (on a per-business basis) is not shown.

Principal Taxpayers

June 30, 2003 (1)
(\$ Amounts in thousands)

| Taxpayer | Estimated 2003 Assessed Valuation | Percent of Pima County's 2003-2004 Assessed Valuation (2) |
|-------------------------------|--|---|
| Tucson Electric Power Company | \$122,499 | 2.3% |
| QWEST | 108,829 | 2.1% |
| Southwest Gas Corporation | 55,710 | 1.1% |
| Arizona Portland Cement | 19,990 | 0.4% |
| Tucson Mall | 18,703 | 0.4% |
| Westin La Paloma | 16,057 | 0.3% |
| El Conquistador Hotel | 14,461 | 0.3% |
| Phelps Dodge | 14,375 | 0.3% |
| Raytheon | 13,290 | 0.3% |
| TRICO | 11,467 | 0.2% |
| Totals | \$395,381 | 7.7% |

Source: Pima County Department of Finance (June 30, 2003 CAFR)

Notes: (1) June 30, 2004 information was not available at this time.

(2) Based on valuation for secondary purposes for the tax year 2004 of \$5,221,271.

Top 25 Employers in Southern Arizona

| Rank | Employer | Service/Product | FTE* | 2003 Payroll |
|------|--------------------------------------|-------------------------|--------------|---------------------|
| 1 | U.S. Army Fort Huachuca | Military | 11,939 | \$369,400,000 |
| 2 | Raytheon Systems Co. | Manufacturing/Aerospace | 10,171 | \$792,252,171 |
| 3 | University of Arizona | Higher Education | 10,078 | \$561,432,996 |
| 4 | State of Arizona | Government | 9,753 | Not Available |
| 5 | Davis Monthan Air Force Base | Military | 7,692 | Not Available |
| 6 | Tucson Unified School District | Education | 7,690 | \$283,248,700 |
| 7 | Pima County | Government | 6,987 | \$278,412,773 |
| 8 | City of Tucson | Government | 5,495 | \$275,475,366 |
| 9 | Wal-Mart Stores Inc. | Department Stores | 4,420 | Not Available |
| 10 | Tohono O'odham Nation | Government/Casino | 3,515 | Not Available |
| 11 | Phelps Dodge Mining Co. | Mining | 3,400 | \$168,000,000 |
| 12 | University Medical Center | Health Care | 2,700 | \$116,500,000 |
| 13 | Carondelet Health Network | Health Care | 2,689 | \$138,256,000 |
| 14 | TMC HealthCare | Health Care | 2,562 | \$100,080,000 |
| 15 | Pascua Yaqui Tribe | Government | 2,427 | Not Available |
| 16 | Amphitheater School District | Education | 2,255 | \$64,342,344 |
| 17 | Pima Community College | Higher Education | 2,204 | \$73,901,595 |
| 18 | U.S. Border Patrol | Government | 2,189 | Not Available |
| 19 | Basha's Inc. | Trade | 2,175 | Not Available |
| 20 | Sunnyside School District | Education | 2,173 | \$61,796,100 |
| 21 | Safeway Stores Inc. | Trade | 2,054 | Not Available |
| 22 | Northwest Medical Center | Health Care | 1,890 | Not Available |
| 23 | Fry's Food & Drug Stores | Trade | 1,855 | Not Available |
| 24 | CheckMate Professional Employer | Services | 1,818 | \$34,418,036 |
| 25 | International Business Machines Corp | Manufacturing/Research | 1,700 | Not Available |

Source: "The Star 200 Rankings" - The Arizona Daily Star March 14, 2004.

* FTE equals approximate full time equivalent employment.

Computation of Legal Debt Margin

For Fiscal Year Ended June 30, 2004

| | | |
|--|------------------|----------------------|
| Secondary assessed value of real and personal property | | \$5,620,156,274 |
| Debt limit = 15% of secondary assessed value | | 843,023,441 |
| | | |
| Amount of debt applicable to debt limit: | | |
| General obligation bonded debt | \$80,785,000 | |
| Leases | <u>1,699,227</u> | |
| | | |
| Total debt applicable to debt limit | | <u>82,484,227</u> |
| Legal debt margin | | <u>\$760,539,214</u> |

Source: District records

Computation of Direct and Overlapping Debt

General Obligation Bonds, June 30, 2003

(1)

Jurisdiction

Direct:

| | | |
|--|--|---------------|
| Pima County Community College District | | \$ 94,215,000 |
|--|--|---------------|

Overlapping: (1)

| | | |
|------------------------|--|-------------|
| Pima County (2) | | 198,054,000 |
| Flood Control District | | 4,585,000 |
| School Districts | | 662,670,000 |
| City of Tucson | | 263,794,000 |
| Fire Districts | | - |
| Irrigation Districts | | - |

| | | |
|---------------------------|--|----------------------|
| Subtotal Overlapping Debt | | <u>1,129,103,000</u> |
|---------------------------|--|----------------------|

| | | |
|-----------------------------------|--|------------------------|
| Total Direct and Overlapping Debt | | <u>\$1,223,318,000</u> |
|-----------------------------------|--|------------------------|

Sources: District Records and Pima County Department of Finance (June 30, 2003 CAFR)

Notes: (1) June 30, 2004 amounts were unavailable at the time of publication

(2) Excludes improvement districts

Revenue Bond Coverage (1)

Last Ten Fiscal Years, As of June 30, 2004

| Fiscal Year | Revenue: Registration & Other Student Fees (2) | Debt Service Requirements | | | Coverage |
|---------------|--|---------------------------|--------------------|---------------------|-------------|
| | | Principal | Interest | Total | |
| 1994/95 | \$ 7,056,098 | \$ 715,000 | \$ 605,745 | \$ 1,320,745 | 5.34 |
| 1995/96 | 6,955,736 | 740,000 | 562,245 | 1,302,245 | 5.34 |
| 1996/97 | 6,863,456 | 760,000 | 519,345 | 1,279,345 | 5.36 |
| 1997/98 | 6,516,916 | 800,000 | 476,745 | 1,276,745 | 5.10 |
| 1998/99 | 7,425,155 | 820,000 | 431,745 | 1,251,745 | 5.93 |
| 1999/00 | 7,750,183 | 860,000 | 391,805 | 1,251,805 | 6.19 |
| 2000/01 | 7,728,897 | 1,905,000 | 416,382 | 2,321,382 | 3.33 |
| 2001/02 | 8,428,104 | 2,145,000 | 627,398 | 2,772,398 | 3.04 |
| 2002/03 | 9,333,320 | 2,250,000 | 579,155 | 2,829,155 | 3.30 |
| 2003/04 | 10,521,356 | 2,330,000 | 474,970 | 2,804,970 | 3.75 |
| Totals | \$78,579,221 | \$13,325,000 | \$5,085,535 | \$18,410,535 | 4.27 |

Source: District Records

Notes: (1) Includes revenue bonds and pledged revenue refunding obligations.

(2) Repayment of revenue bond debt is secured by a pledge of student fees as defined by the bond indentures.

Student Enrollment/Demographic Statistics

Last Ten Fiscal Years

| Fall Term | Attendance | | | Enrollment Status | | | |
|-----------|------------|-----|--|-------------------|------------|---------|-----------------------------|
| | FT | PT | | Continuing | First Time | Readmit | New/Readmit W/Prior College |
| 1994/95 | 26% | 74% | | 49% | 29% | 22% | |
| 1995/96 | 25 | 75 | | 49 | 28 | 23 | |
| 1996/97 | 26 | 74 | | 49 | 29 | 22 | |
| 1997/98 | 26 | 74 | | 47 | 30 | 23 | |
| 1998/99 | 26 | 74 | | 47 | 30 | 23 | |
| 1999/00 | 26 | 74 | | 45 | 24 | 19 | 12% |
| 2000/01 | 25 | 75 | | 45 | 26 | 18 | 11 |
| 2001/02 | 27 | 73 | | 45 | 26 | 19 | 10 |
| 2002/03 | 28 | 72 | | 45 | 25 | 18 | 12 |
| 2003/04 | 30 | 70 | | 47 | 23 | 18 | 12 |

| Fall Term | Residency | | | | | | Gender | | |
|-----------|-----------|---------------|--------------|---------|--------------|--|--------|-----|--------------|
| | Resident | Out of County | Out of State | Foreign | Not Reported | | M | F | Not Reported |
| 1994/95 | 87% | 7% | 4% | 2% | | | 45% | 55% | |
| 1995/96 | 87 | 7 | 4 | 2 | | | 44 | 56 | |
| 1996/97 | 86 | 8 | 4 | 2 | | | 45 | 55 | |
| 1997/98 | 87 | 7 | 4 | 2 | | | 45 | 55 | |
| 1998/99 | 86 | 7 | 4 | 3 | | | 45 | 55 | |
| 1999/00 | 85 | 7 | 5 | 2 | 1% | | 45 | 54 | 1% |
| 2000/01 | 86 | 5 | 5 | 3 | 1 | | 44 | 55 | 1 |
| 2001/02 | 89 | 4 | 5 | 2 | | | 43 | 55 | 2 |
| 2002/03 | 89 | 5 | 4 | 2 | | | 42 | 55 | 3 |
| 2003/04 | 91 | 2 | 5 | 2 | | | 42 | 56 | 2 |

| Fall Term | Ethnic Background | | | | | | | Age | |
|-----------|-------------------|----------------|------------------|----------|-------------|--------------|----|--------|------|
| | Native American | Asian American | African American | Hispanic | White/Other | Not Reported | | Median | Mean |
| 1994/95 | 3% | 4% | 4% | 26% | 63% | | 25 | 28 | |
| 1995/96 | 3 | 4 | 4 | 27 | 62 | | 25 | 28 | |
| 1996/97 | 4 | 4 | 4 | 26 | 62 | | 24 | 28 | |
| 1997/98 | 4 | 4 | 3 | 35 | 54 | | 24 | 28 | |
| 1998/99 | 3 | 4 | 4 | 27 | 62 | | 24 | 28 | |
| 1999/00 | 3 | 4 | 4 | 27 | 62 | | 24 | 28 | |
| 2000/01 | 3 | 4 | 4 | 28 | 56 | 5% | 23 | 28 | |
| 2001/02 | 4 | 3 | 4 | 29 | 56 | 4 | 28 | 22 | |
| 2002/03 | 3 | 4 | 4 | 29 | 56 | 4 | 28 | 22 | |
| 2003/04 | 3 | 4 | 4 | 30 | 55 | 4 | 27 | 22 | |

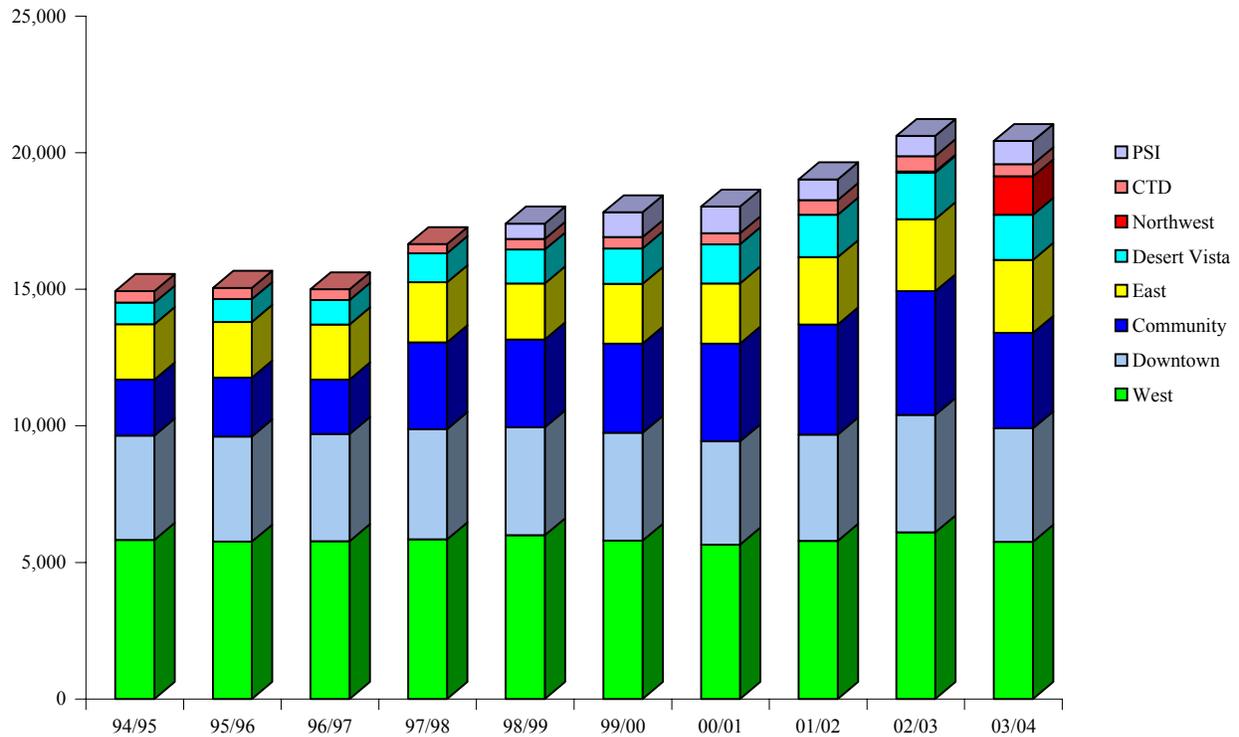
Source: District Records

Historic Enrollment FTSE

Last Ten Fiscal Years

| FTSE Campus | 94/95 | 95/96 | 96/97 | 97/98 | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Community | 2,048 | 2,155 | 1,999 | 3,181 | 3,222 | 3,267 | 3,586 | 4,030 | 4,532 | 3,491 |
| Desert Vista | 784 | 833 | 897 | 1,069 | 1,240 | 1,301 | 1,436 | 1,557 | 1,699 | 1,650 |
| Downtown | 3,823 | 3,851 | 3,916 | 4,036 | 3,946 | 3,952 | 3,778 | 3,892 | 4,295 | 4,155 |
| East | 2,029 | 2,039 | 2,015 | 2,195 | 2,051 | 2,182 | 2,199 | 2,465 | 2,640 | 2,676 |
| Northwest | | | | | | | | | 39 | 1,406 |
| West | 5,825 | 5,759 | 5,780 | 5,842 | 5,994 | 5,793 | 5,650 | 5,788 | 6,102 | 5,754 |
| Center for Train & Dev. | 427 | 413 | 390 | 329 | 391 | 412 | 402 | 532 | 565 | 443 |
| Public Safety Institute | | | | | 560 | 912 | 976 | 762 | 739 | 850 |
| Total District | 14,936 | 15,050 | 14,997 | 16,652 | 17,404 | 17,819 | 18,027 | 19,026 | 20,611 | 20,425 |

Source: District Records

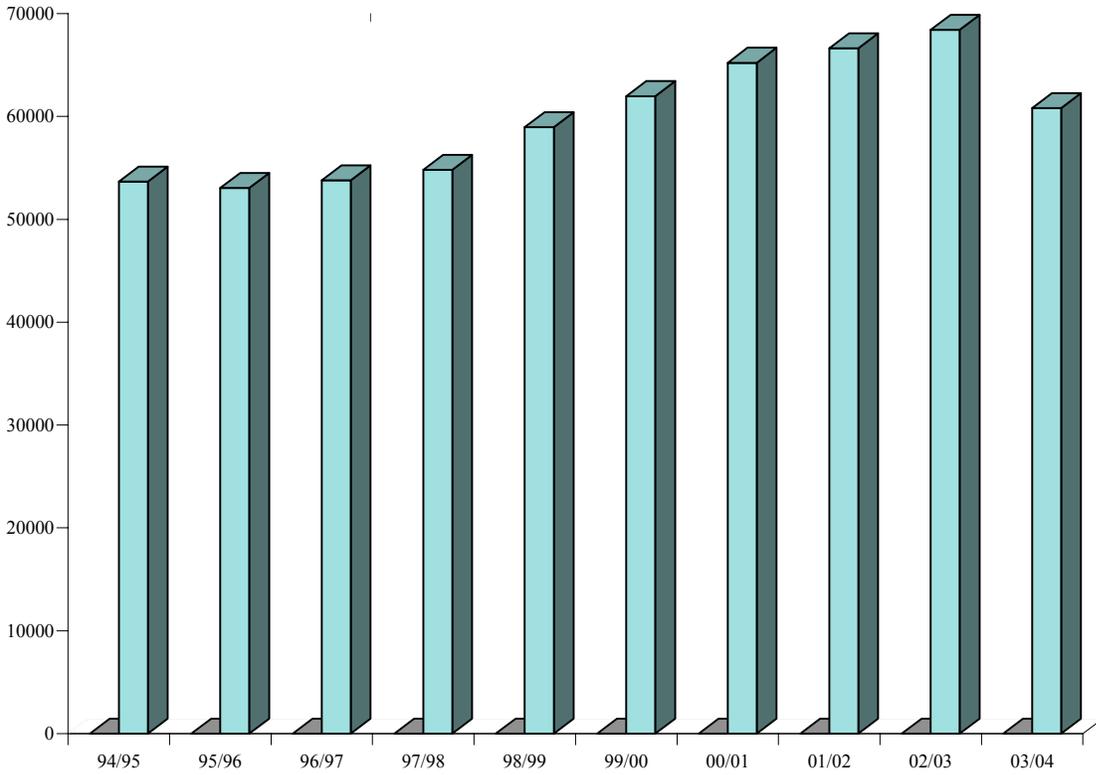


Historic Enrollment Headcount

Last Ten Fiscal Years

| HEADCOUNT District | 94/95 | 95/96 | 96/97 | 97/98 | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total District | 53,657 | 53,049 | 53,784 | 54,804 | 58,950 | 61,973 | 65,221 | 66,636 | 68,425 | 60,820 |

Source: District Records



Historic Tuition and Fees

Last Ten Fiscal Years

| Fiscal Year | In-State Resident | | | Out of State/Country | | |
|----------------|---------------------------|----------------------------|----------------------------|---------------------------|----------------------------|----------------------------|
| | 1-6 Cr hrs (per hr) | 7-12 Cr hrs (per hr) | 13-18 Cr hrs (total) | 1-6 Cr hrs (per hr) | 7-12 Cr hrs (per hr) | 13-18 Cr hrs (total) |
| 1994/95 | 28.00 | 28.00 | 350.00 | 48.00 | 149.00 | 1,923-2,528 |
| 1995/96 | 29.00 | 29.00 | 362.00 | 49.00 | 150.00 | 1,935-2,540 |
| 1996/97 | 29.00 | 29.00 | 362.00 | 49.00 | 150.00 | 1,935-2,540 |
| 1997/98 | 31.00 | 31.00 | 387.00 | 53.00 | 160.00 | 2,064-2,709 |
| 1998/99 | 32.00 | 32.00 | 399.00 | 55.00 | 165.00 | 2,128-2,793 |
| 1999/00 | 34.00 | 34.00 | 442.00 | 58.00 | 175.00 | 2,192-2,877 |
| 2000/01 | 35.00 | 35.00 | 455.00 | 60.00 | 180.00 | 2,630-2,980 |
| 2001/02 | 36.50 | 36.50 | 474.50 | 62.50 | 188.00 | 2,747-3,201 |
| 2002/03 | 39.00 | 39.00 | 507.00 | 67.00 | 198.00 | 2,574-3,374 |
| 2003/04 | 42.00 | 42.00 | 546.00 | 72.00 | 211.00 | 2,743-3,588 |

Source: District Records

Note: A variable rate scale was used for 13 to 18 credit hours for 1994/95 through 2003/04.

Miscellaneous Statistics

Fiscal Year 2003/04

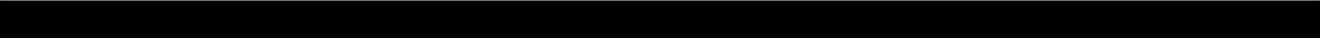
| | |
|-------------------------|---|
| Established: | 1966 |
| Type: | Multi-campus Community College District |
| Number of campuses: | 6 |
| Geographical location: | Southern Arizona |
| Population of District: | 931,600 (2004 estimate) |

Personnel Statistics:

| | | |
|--|--|-----|
| Faculty | Regular faculty (full-time equivalent) | 361 |
| | Adjunct faculty (full-time equivalent) | 533 |
| Staff | Regular staff (full-time equivalent) | 755 |
| | Temporary staff (full-time equivalent) | 198 |
| | Student (full-time equivalent) | 103 |
| Administrative | Full-time equivalent | 48 |
| Ethnicity/Gender of full time personnel (Fall 2003): | | |
| <i>Ethnicity</i> | Hispanic | 26% |
| | African American | 4% |
| | Asian American | 2% |
| | American Indian | 2% |
| | White/other | 66% |
| <i>Gender</i> | Female | 59% |
| | Male | 41% |

Student Statistics:

| | | |
|--|---|-------|
| Average age of students: | 27 years | |
| Attendance: | Full time | 30% |
| | Part time | 70% |
| Degrees and certificates awarded: (May 2004) | | |
| Degrees: | Associate of Arts | 618 |
| | Associate of Applied Arts | 8 |
| | Associate of Science | 127 |
| | Associate of Applied Sciences | 534 |
| | Associate of Business | 138 |
| | Associate of General Studies | 317 |
| Certificates: | Basic, Advanced and Technical | 2,409 |
| Accreditation: | North Central Association of Colleges and Schools Commission on Institutions of Higher Education | |



The Board of Governors of Pima County Community College District has affirmed that the College is an equal educational/employment opportunity institution.

The College has policies relative to nondiscrimination on the basis of sex, sexual orientation, race, religion, color, national origin, age, Vietnam-era veterans' status and/or disability. Such policies apply to all educational programs, services, activities, and facilities, and to all terms and conditions of employment.

For further information, you may contact the Affirmative Action/Equal Opportunity Office, District Office, 4905C E. Broadway Boulevard, Tucson, Arizona 85709-1310.

Reasonable accommodations, including materials in an alternative format, will be made for individuals with disabilities when a minimum of five working days advance notice is given. For the general public, please contact the College information line at 206-4500 (TTY 206-4530); for College students, contact the appropriate campus Disabled Student Resources Office.